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STUDY OF FOOD MARKETING

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HEARINGS

BEFORE THE
COMMITTEE ON COMMERCE
UNITED STATES SENATE
EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

S.J. Res. 71

A JOINT RESOLUTION TO AUTHORIZE AND DIRECT THE
CONDUCT BY THE FEDERAL TRADE COMMISSION OF A
COMPREHENSIVE INVESTIGATION OF CHAINSTORE PRAC-
TICES WHICH MAY BE IN VIOLATION OF THE ANTITRUST
LAWS, AND FOR OTHER PURPOSES

PART 1

MARCH 23, 24, AND 25, 1964

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Note.—On Apr. 1, 1964, at the request of Senator McGee, by unanimous consent, the Senate amended S.J. Res. 71 by striking out all after the resolving clause and inserting in lieu thereof the text of the draft legislation submitted to the Congress on that date by President Johnson, calling for the creation of a bipartisan National Commission on Food Marketing; the title of S.J. Res. 71 also was amended so as to read: "Joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer." Pt. 1 of this hearing contains all of the testimony on S.J. Res. 71 as introduced. Testimony on the amended joint resolution will appear in Part II.

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STUDY OF FOOD MARKETING

MONDAY, MARCH 23, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met at 8:35 a.m. in room 5110, New Senate Office Building, Hon. Gale W. McGee presiding.

Senator McGEE. The hearings which we open today arise from the swelling tide of complaints that we have been receiving from consumers at the one end and producers at the other over alleged unfair competitive trade practices in food distribution.

At this point in the record I wish to insert a copy of the resolution, together with comments from Government agencies:

[S.J. Res. 71, 88th Cong., 1st sess.]

JOINT RESOLUTION To authorize and direct the conduct by the Federal Trade Commission of a comprehensive investigation of chainstore practices which may be in violation of the antitrust laws, and for other purposes

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Trade Commission is authorized and directed, pursuant to section 6(d) of the Federal Trade Commission Act (15 U.S.C. 46(d)), to—

(a) conduct a full and complete investigation of the purchasing, processing, marketing, and pricing practices of chainstore operators engaged in commerce (as that term is defined by section 4 of the Federal Trade Commission Act) with a view to determining whether any of such practices are in violation of provisions of the antitrust laws; and

(b) transmit to the Congress at the earliest practicable time a report which shall include a comprehensive statement of (1) the facts and circumstances disclosed by such investigation, (2) the action taken or contemplated by the Commission with respect to any violations of law disclosed by such investigation, and (3) such recommendations for further legislation as the Commission may deem appropriate for the elimination of any restraints of trade or noncompetitive practices disclosed by such investigation which are not effectively controlled by present provisions of the antitrust laws.

SEC. 2. There are hereby authorized to be appropriated to the Federal Trade Commission such sums as may be required to carry into effect the provisions of this joint resolution.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 9, 1963.

B-110394.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate.

DEAR CHAIRMAN: Your letter of April 29, 1963, acknowledged May 1, requested our comments on Senate Joint Resolution 71, entitled "Joint resolution to authorize and direct the conduct by the Federal Trade Commission of a comprehensive investigation of chainstore practices which may be in violation of the antitrust laws, and for other purposes."

NOTE.—Staff counsel assigned to this hearing: Michael Pertschuk.

You are advised that we have no special information pertaining to the subject of the proposed legislation and therefore make no recommendation respecting the adoption of the joint resolution.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

FEDERAL TRADE COMMISSION,
Washington, D.C., March 21, 1964.

Hon. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your letter of April 29, 1963, requesting the Federal Trade Commission to comment on Senate Joint Resolution 71, 88th Congress, 1st session, a joint resolution to authorize and direct the conduct by the Federal Trade Commission of a comprehensive investigation of chainstore practices which may be in violation of the antitrust laws, and for other purposes.

The Commission recommends that the subject resolution be broadened so that the proposed investigation not only be with reference to the purchasing, processing, marketing, and pricing practices of chainstore operators, but also of their suppliers as such practices affect commerce.

Frequently, the practices of the chainstore operators, especially those relating to the purchasing and pricing of the commodities which they sell, are related to, or are inseparably intertwined with, similar practices of the suppliers of such commodities.

Furthermore, we believe that if the practices of the chainstore operators and suppliers, which are to be investigated, "affect commerce," they should be subject to investigation. The Supreme Court of the United States declared that the clause "in commerce," as it appears in section 5 of the Federal Trade Commission Act, is not to be interpreted as including unfair methods of competition affecting interstate commerce, so that for the Commission to act in such instances would require a "much clearer manifestation of intention than Congress has furnished." (See *Bunte Brothers, Inc., v. Federal Trade Commission*, 312 U.S. 349, 355 (1951)). In order to avoid any question of jurisdiction as to whether a particular practice being investigated is in commerce, the Commission recommends that the words "in commerce" in the subject resolution be changed to read "affect commerce."

Should the committee agree to these recommendations, in line 8 on page 1 after the words "chainstore operators," there would be a deletion of the words "engaged in commerce" and an addition of the words "and their suppliers as such practices affect commerce."

With these changes, subsection (a) of section 1 of Senate Joint Resolution 71 would read "conduct a full and complete investigation of the purchasing, processing, marketing, and pricing practices of chainstore operators and their suppliers as such practices affect commerce (as that term is defined by section 4 of the Federal Trade Commission Act) * * *."

It has been our observation, based upon complaints in the past as well as current investigations and formal actions, that the activities of the various chainstores, particularly those engaged in retailing food, are very complex and difficult to understand under our system of free competitive enterprise.

Also, it might be observed that within the last 20 years, large food chainstore operators have engaged more and more in the use of private labels, a device which has caused havoc among all producers. With the economic levers that buyers for such chainstores possess, it is possible for them to manipulate various facets of the market to their own advantage.

We are convinced that it would be very much in the public interest for the contemplated comprehensive investigation to be made to determine whether any of the practices, to be covered, violate provisions of the antitrust laws.

Another problem which would be considered in connection with the contemplated investigation is whether our present antitrust laws are adequate to protect the public from the specified practices of chainstore operators and their suppliers as such practices affect commerce. We are not certain that if these laws need to be changed, what should be the nature and extent of such changes.

It is our belief that through the proposed investigation much data will be secured which will be of considerable value in attempting to find a solution to such problems.

Since the conduct of such an investigation undoubtedly would require considerable expenditures of money, the Commission notes with approval section 2 of Senate Joint Resolution 71, which authorizes that there be appropriated for the use of the Commission such sums as may be required to carry into effect the provisions of the resolution. The Commission is satisfied, that considering the performance of its many statutory duties, it would not be able to conduct the type of investigation contemplated in its present budget.

The Commission favors the enactment of Senate Resolution 71 with the amendments we have recommended.

By direction of the Commission :

PAUL RAND DIXON, *Chairman.*

N.B.—The Bureau of the Budget advises while there is no objection from the standpoint of the administration's program to such report as you deem appropriate, the President has proposed a somewhat different approach to a review of changes in marketing practices than that reflected in S.J. Res. 71. We expect that this alternative approach will be placed before the Congress in the very near future.

As early as 1958, the Federal Trade Commission warned of disturbing trends in the food industry, and I quote :

There have developed tendencies to concentration of economic power, to collusive price action, and to unfair competitive methods.

Again in 1959 and 1960, a subcommittee of the House Select Committee on Small Business conducted an exhaustive inquiry into practices in food distribution. Some of the conclusions of that subcommittee were rather stark and compelling.

Again I quote :

The evolutions of food distribution of the food industry in recent years have developed tendencies to concentration of economic power, to collusive price action, and to unfair competitive policies, practices, and methods which, if continued unchecked, will preclude the maintenance of fair competitive conditions and threaten the growth and survival of small business in the food distribution industry. * * *

Unless Congress acts to strengthen the substantive and procedural provisions of our antitrust laws, makes available to the enforcement agencies greater resources and more attention is directed to these problems, we may expect an acceleration of these tendencies * * * to concentration of economic power, to collusive price action and to unfair competitive methods in food distribution.

Now, as we assemble here this morning, nearly 4 years have passed since that solemn verdict was delivered, yet just last week 3,000 delegates of the National Farmers Union, representing some 750,000 farm families, passed a very strong if disturbing resolution :

Livestock producers lost more than \$2 billion in 1963 and continue to sustain heavy losses. Although meat imports have contributed to these losses, they have been insignificant in comparison to the disastrously low prices forced upon producers by large food chains through their power to administer prices. To break up this growing monopoly power in the livestock industry and retain competitive markets for cattle and sheep we call for a thorough investigation of retail food chainstore buying practices, their degree of vertical integration into packing plants, feedlots, and ranches, their power to subvert competitive free enterprise, and their power to increase the spread in prices between producer and consumer without regard to supply and demand. We urgently petition the President to utilize the resources of the Federal Trade Commission and the Department of Justice to carry out such investigation and should the findings reveal that the antimonopoly laws are being violated, we ask that court action be brought against those food chains in violation requiring them to divest themselves of their vertically integrated ranching, feeding, and farming operations.

Nor has the consumer been the beneficiary of depressed producer prices. Retail prices for red meat today are the same in most cases and in some even higher than those of 2 years ago when the livestock

market was firm and prices to the rancher, feeder, and packer were sufficient to afford a fair return on their investments.

In the attempt to explain the apparent paradox of high consumer prices and low producer prices, serious charges have been leveled at the great food chains and the massive economic power that they have accumulated over the last two decades. Professional analysts of marketing behavior point to the concentration of thousands of retail outlets in a few hands which has revolutionized the marketing of all food products.

Livestock producers in Wyoming, food canners in California, tomato producers in Texas, and poultry growers in Alabama, have each borne witness to the unholy ability of the great chains arbitrarily to establish and enforce prices to the producer while withholding the advantage of those price concessions from the consumer.

I do not pretend to be a marketing economist. I am no expert in the market structure of food distribution in this country, but the stark facts of life in the livestock industry today demand explanation, for they run counter to the basic concepts and expectations of the free enterprise system.

Where, in the American image of free enterprise, is there room, for example, for the practice of "bid and acceptance" as allegedly practiced by the buyers for the food chains?

The food chains, it is charged, utilize this technique to coerce, and I quote, "unconscionable price concessions and other onerous terms."

This is the picture that emerges from the charges conveyed to this committee: The seller is compelled to make his bid without knowledge of the chainstore purchaser's interests, and without the benefit of a competitively established market price. With a costly and perishable product on his hands, obligated to maintain a flow of livestock through his plant, the packer, for example, may be forced to cut his offering price below his actual cost. It has even been charged that, in each purchasing area, one dominant chain will effectively dictate the price for all.

Even when his bid is accepted, the supplier suffers arbitrary rejections at the food chain's dock, or is subjected to burdensome credit demands. What is his alternative? If he chooses not to sell to his mass buyer, he may not be able to sell at all. So he submits meekly as an unequal partner to dictated prices and conditions.

Another of the charges made refers to an anticompetitive practice allegedly utilized by the chains called "group purchasing." In "group purchasing," several chains may combine to hire a single agent to procure a certain product. That agent goes out into the market as a single buyer for the group, effectively eliminating competitive buying for the product in question, and in due course distributes the product to each of the chains in proportion to its needs.

The chains and the meatpackers under pressure from the chains are similarly charged with bypassing regulated trade practices at the terminal markets and dulling competitive pricemaking by resorting to "direct buying" from individual feeders. Through "direct buying," stockyard competition is decreased and the stockyard prices are kept correspondingly lower. These artificially depressed prices are

then quoted to the feeder as the basis for direct purchases. Moreover, the feeder, once he is committed to direct selling, is said to become a captive of his purchaser, increasingly dependent on that purchaser, and thus forced to grant concessions not available to the packer at the established markets.

Direct buying may function as a double-edged sword, exacting additional benefits for the purchaser at the expense of the producer, while simultaneously depressing prices. In the terminal markets, the packer, by custom and regulation, is required to pay promptly for livestock purchases. In a direct purchase he is often able to force the seller to extend credit. In a direct purchase, the buyer may pay on the basis of an arbitrary "pencil shrink" of the actual weight of the livestock. He may successfully charge back to the seller any losses resulting from the death of cattle or from post mortem inspection of cattle.

The economic power acquired by the food chains through ownership of thousands of retail outlets has allegedly been reinforced and complemented by backward integration into the feeding and slaughtering of livestock. Such integration need not be accomplished by outright merger, but can be effectively accomplished through tight contractual arrangements. In either case, by withdrawing their buying power from the competitive livestock market or by serving as their own source of meat supply, the chains, it is charged, are able to administer prices at both live and dressed levels.

These then are some of the charges brought to this committee. Whether they can be proved and, if proved, whether they explain the housewife's and producer's dilemma cannot now be answered with certainty. But these charges cannot remain unanswered. The answers must be found and remedies must be supplied.

President Johnson has clearly recognized this need. In his message on agriculture this year, he warned of the power of the chains.

There is one more pressing need if American agriculture is to be strengthened. The recent changes in the marketing structure for distribution of food are as revolutionary as those in production. There are some 200,000 retail grocery stores, but we know that \$1 out of every \$2 spent for groceries goes to fewer than 100 corporate, voluntary, or cooperative chains. Our information about how this greatly increased concentration of power is affecting farmers, handlers, and consumers is inadequate. The implications of other changes that take place as vertical integration and contract farming have not been fully explored.

Senate Joint Resolution 71, now before this committee, would direct the Federal Trade Commission to "conduct a full and complete investigation of the purchasing, processing, marketing, and pricing practices of chainstore operators." Under the terms of this resolution, the Commission must report to Congress proposals for limiting such restraints of trade or noncompetitive practices as may be revealed by the investigation.

It is the hope of the committee that these hearings will determine the need for such investigation, the immediacy of the problems involved and the capacity of the Federal Trade Commission to discharge such responsibilities.

I ask unanimous consent that we include in the record immediately following my opening statement the copy of the National Farmers Union resolution adopted on March 17, 1964, at the St. Paul meeting, and a copy of a resolution passed by the Western States Democratic Conference on this same point. The conference was held in Salt Lake City, Utah.

(The documents follow :)

NATIONAL FARMERS UNION RESOLUTION, MARCH 17, 1964, AT ST. PAUL, MINN.

LIVESTOCK

American livestock producers alone lost more than \$2 billion in 1963, and are continuing to sustain heavy losses. Although red meat imports have contributed to these losses they have been insignificant in comparison to the disastrously low prices forced upon producers by large food chains through their monopoly power to administer prices to both producers and consumers.

To break up this growing monopoly power in the livestock industry and still retain competitive markets for cattle and sheep, we call for a thorough investigation of retail food chainstore buying practices, their degree of vertical integration into packing plants, feedlots and ranches, their power to influence and subvert competitive free enterprise, and their power to increase the spread in prices between producers and consumers without regard to supply and demand.

We urgently petition the President to utilize the resources of the Federal Trade Commission and the Department of Justice to carry out such investigation, and, should the findings reveal that the antimonopoly laws are being violated, we ask that court action be taken.

VERTICAL INTEGRATION IN AGRICULTURE—RESOLUTION OF WESTERN STATES DEMOCRATIC CONFERENCE

Concentration of economic power within large food corporations, and corporate farms through the use of vertical integration of retailing, processing, farming, and ranching operations constitutes a grave threat to the family-farm pattern of American agriculture.

Integration in the food industry is causing a concentration of buying power in fewer and fewer hands. As this concentration continues the price determining mechanism of the competitive market is being destroyed, and when competitive pricing is destroyed, the essential ingredient to the survival of family farms and small business is destroyed.

To stop the destructive effect of monopoly-type corporations on competitive private enterprise and the family-farm system of agriculture we call upon the Democratic Party to :

(1) Support Senate Joint Resolution 71 (sponsored by Wyoming Senator Gale McGee) authorizing the Federal Trade Commission to conduct a full and complete investigation of the purchasing, processing, marketing, and pricing practices of chainstores.

(2) We ask the Democratic Party to support legislation (such as proposed in the Roosevelt bill) to make it unlawful for chainstore or other food retailers to engage in farming, livestock feeding, and processing.

(3) We ask that the Democratic Party support legislation making it illegal for corporations to take tax writeoffs on losses sustained in agricultural pursuit against income earned from endeavors outside agriculture.

Senator McGEE. We will now turn to the list of witnesses, copies of whose testimony are available, both to the press and to members of the committee. I would like to announce at this time that the list is yet incomplete. We simply prepared a list of those who will be testifying this week.

Those speaking for other elements in this particular question, those opposing the resolution as such, will be scheduled at a later date, very soon after the Easter recess. You appreciate, I am sure, that we are a bit compressed on time because of other events beyond our control.

The later announcement will be held in suspense until a firm date can be arrived at. It will be at the earliest possible moment after the Easter recess of the Congress.

Senator MORTON, did you want to make any statement?

Senator MORTON. No; I have no statement.

Senator McGEE. Senator Hart.

STATEMENT OF HON. PHILIP A. HART, A SENATOR FROM THE STATE OF MICHIGAN

Senator HART. Thank you.

Mr. Chairman, I have read your resolution with great interest and I endorse it.

I have an interest in the broader aspect of this same problem, as chairman of the Antitrust Monopoly Subcommittee. This subcommittee is, this year, beginning a comprehensive study of the centralization of economic power and one phase of that study will be the concentration of buying power which appears to be at the core of the problem which this resolution seeks to reach.

I have a statement which I would appreciate having printed in the record.

Senator McGEE. Without objection, it will be included in the record. (The statement follows:)

The Antitrust and Monopoly Subcommittee is particularly interested in the investigation proposed by Senator McGee. We have, for some time, been concerned about the effect of concentration on the prices paid by consumers.

As evidence of our concern, we scheduled hearings this year on the problem of the concentration of economic power. This program is expressed in the terms of the economists or the professional antitrusters and sounds a little forbidding. By the more realistic terms with which I am familiar it means: Is the consumer getting what he pays for or is he being gouged?

Do we have a real competitive market or is the consumer being victimized by pressure groups who have a corner on or can control the market?

This is an aside but I sometimes think that the antitrusters are their own worst enemies. Basically, they want meat on the table at the lowest possible prices—instead of saying that bluntly, plainly, and simply, the economists talk in terms of concentration of power, and the lawyers talk in terms of *per se*—the economists in terms of maximizing profits and the lawyers in terms of market restraints. Probably, I would not have it otherwise because they have become words of art and express very complicated and complex concepts with shorthand expressions.

Nevertheless, Senator McGee is focusing on a question of prime importance to the consumer and of prime importance to all of us who are interested in the basic tenets and concepts of free enterprise—the most for the consumer at the best possible prices, prices arrived at competitively, not by collusion or combination, not as a result of pressure groups.

We, on the Senate Antitrust and Monopoly Subcommittee, have for some time prepared for an examination of the concentration of buying power which may well account for the disparity between the prices of the producers and the prices of the retailers insofar as meat products are concerned.

I am sure that everything that Senator McGee's proposed study can contribute to a resolution of this problem will be of benefit and interest to us in the sphere of antitrust and will complement and supplement our own studies in this area.

Senator MORTON. If I may, I notice on the last page of your statement Senator McGee, you quote from the President's agriculture message, which is carried in the President's message as item No. 9 of I.

The President's statement adds this sentence which I, for the record, would like to add at this point.

I urge that the Congress establish a bipartisan Commission to study and appraise these changes so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibility to consumers.

This is a part of the paragraph which you quoted in your statement.

Senator MCGEE. I thank the Senator for that suggestion. That sentence will be the point of some questioning and observations, I trust, by witnesses that will be appearing here this morning.

The first scheduled witness is Senator George McGovern, from South Dakota.

I say on behalf of the committee that we welcome you here. Your voice has long been a strong one raised on these problems and your efforts to seek answers to some of these very puzzling questions and some of the obvious contradictions in the present meat-marketing picture has been a very helpful one. The committee will listen with great interest to what you may have to suggest.

STATEMENT OF HON. GEORGE MCGOVERN, A SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MCGOVERN. Thank you, Mr. Chairman and members of the subcommittee. I would like to say, first of all, that aware as I am of the handicaps under which these hearings are held, handicaps resulting from lengthy Senate sessions, I am especially grateful to the chairman of the subcommittee and the other members of this committee for their willingness to proceed.

I am sure that there are a good many hundreds and thousands of agricultural producers, as well as consumers, whose income are involved that would join in this expression of gratitude if they were aware of all of the circumstances.

The producers of most livestock products are in serious distress. Many of them are in financial trouble as a result of low market prices and consequent losses from their operations. A continuation of low prices for beef, lamb, and mutton will mean the liquidation of a great many producers in the coming years. There needs to be the earliest possible relief.

The severe cattle price situation is the result of a number of factors, including the growth of imports of meat. Beef imports amounted to 10.6 percent of our total meat supply in 1962 and 10.7 percent in 1963. Lambs and lamb and mutton imported ran 17.8 percent of supply in 1962 and 18.8 percent in 1963. These import problems, as the chairman and subcommittee know, are now being studied by the Finance Committee, which is considering import limitations proposed by Senator Mansfield, myself, and by others, which are more severe than the 6-percent reduction agreed upon in negotiations with Australia and New Zealand.

The import problem is getting a great deal of public attention, but there are strong indications that changing marketing practices and margins between the farmer-producers and consumers of meat may be equally or even more responsible for low producer returns.

FARMER-CONSUMER PRICE SPREAD

The Marketing and Transportation Situation Report issued by the Department of Agriculture for February of this year contains a revealing table on the changes in price relationships for beef and pork in the past 10 years. The table shows that the farmers' share of each consumer dollar spent for choice grade beef has dropped from 65 cents in 1954 to 56 cents in 1963.

Mr. Chairman, early 1964 figures estimate it is down another cent to 55 cents. It shows that the farmers' share of each dollar spent by consumers for retail cuts of pork dropped from 63 cents in 1954 to 50 cents in 1963, a drop of 13 cents.

In other words, the farmers' "take" from the dollar we spend here in Washington for beefsteak has dropped 14 percent, and the farmers' "take" from the money we spend for pork chops and roasts has fallen more than 20 percent.

The spread on a pound of beef has increased 12 cents in the 10-year period. The USDA study shows that 75 percent, or 9 cents per pound, of this occurred at the retail level. One-fourth, or 3 cents per pound, was at the wholesale level.

Consumers should know that out of a 121½ cents per pound rise in the average price of a pound of choice beef between 1954 and 1963—a rise from 68½ to 81 cents per pound—the farmers got exactly one-half cent. This one-half cent would disappear entirely if the figures were all converted to a stable dollar level.

With your permission, Mr. Chairman, I would like to submit for the record table 6 from the Marketing & Transportation Situation for February 1964, from which I have taken the figures quoted.

Senator McGEE. Without objection, it will be included.

(The document follows:)

TABLE 6.—*Beef and pork: Retail prices, wholesale value, farm value, farm-retail spread and farmer's share of retail price, annual 1954-63, by quarters 1962-63*

[From Marketing and Transportation Situation, February 1964]

Year and quarter	Retail price per pound ¹	Whole-sale value ²	Gross farm value ³	By-product allowance ⁴	Net farm value ⁵	Farm-retail spread			Farm-er's share
						Total	Whole-sale-retail	Farm-wholesale	
Beef (Choice grade)									
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Percent</i>
1954-----	68.5	52.6	48.8	4.0	44.8	23.7	15.9	7.8	65
1955-----	67.5	51.4	46.7	3.7	43.0	24.5	16.1	8.4	64
1956-----	66.0	49.5	44.4	3.7	40.7	25.3	16.5	8.8	62
1957-----	70.6	52.8	47.6	4.0	43.6	27.0	17.8	9.2	62
1958-----	81.0	61.1	57.1	4.7	52.4	28.6	19.9	8.7	65
1959-----	82.8	62.4	58.3	5.3	53.0	29.8	20.4	9.4	64
1960-----	81.0	60.1	54.1	4.4	49.7	31.3	20.9	10.4	61
1961-----	79.2	56.6	51.6	4.6	47.0	32.2	22.6	9.6	59
1962-----	82.4	61.2	56.6	4.8	51.8	30.6	21.2	9.4	63
1963 ⁶ -----	81.0	56.1	49.4	4.1	45.3	35.7	24.9	10.8	56
1962									
January-March-----	80.6	59.8	54.7	4.5	50.2	30.4	20.8	9.6	62
April-June-----	80.5	59.4	53.9	4.8	49.1	31.4	21.1	10.3	61
July-September-----	83.0	62.0	57.4	4.8	52.6	30.4	21.0	9.4	63
October-December-----	85.6	63.7	60.2	4.9	55.3	30.3	21.9	8.4	65
1963 ⁶									
January-March-----	84.5	58.2	51.7	4.1	47.6	36.9	26.3	10.6	56
April-June-----	79.1	54.6	47.2	3.9	43.3	35.8	24.5	11.3	55
July-September-----	80.4	57.4	50.8	4.1	46.7	33.7	23.0	10.7	58
October-December-----	80.0	54.2	47.7	4.0	43.7	36.3	25.8	10.5	55
Pork (retail cuts)									
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Percent</i>
1954-----	64.8	51.2	48.4	7.4	41.0	23.8	13.6	10.2	63
1955-----	54.8	41.0	33.9	4.7	29.2	25.6	13.8	11.8	53
1956-----	52.1	38.6	31.8	4.6	27.2	24.9	13.5	11.4	52
1957-----	60.2	45.2	38.9	5.7	33.2	27.0	15.0	12.0	55
1958-----	64.8	49.3	43.2	6.3	36.9	27.9	15.5	12.4	57
1959-----	57.1	39.8	31.3	4.0	27.3	29.8	17.3	12.5	48
1960-----	56.7	41.6	33.9	4.5	29.4	27.3	15.1	12.2	52
1961-----	59.2	42.4	36.5	5.0	31.5	27.7	16.8	10.9	53
1962-----	59.5	42.8	35.8	4.4	31.4	28.1	16.7	11.4	53
1963 ⁶ -----	57.5	40.3	32.9	4.1	28.8	28.7	17.2	11.5	50
1962									
January-March-----	57.9	41.8	35.3	4.7	30.6	27.3	16.1	11.2	53
April-June-----	57.8	40.9	33.9	4.3	29.6	28.2	16.9	11.3	51
July-September-----	62.2	45.6	38.8	4.7	34.1	28.1	16.6	11.5	55
October-December-----	60.0	42.7	35.3	4.2	31.1	28.9	17.3	11.6	52
1963 ⁶									
January-March-----	57.7	39.2	31.8	4.2	27.6	30.1	18.5	11.6	48
April-June-----	55.5	39.0	32.2	3.9	28.3	27.2	16.5	10.7	51
July-September-----	59.6	43.4	36.3	4.3	32.0	27.6	16.2	11.4	54
October-December-----	57.0	39.6	31.3	4.1	27.2	29.8	17.4	12.4	48

¹ Estimated weighted average price of retail cuts.² Beef: Wholesale value of quantity of carcass equivalent to 1 pound of retail cuts, equivalent quantity gradually increased from 1.28 pounds for 1954 to 1.35 pounds for 1960 and later years; pork: Wholesale value of 1 pound of retail cuts.³ Payment to farmer for quantity of live animal equivalent to 1 pound of retail cuts; Beef, equivalent quantity increased 0.01 pound each year from 2.19 pounds for 1954 to 2.25 pounds for 1960 and later years; pork 2.13 pounds.⁴ Portion of gross farm value attributed to edible and inedible byproduct.⁵ Gross farm value minus byproduct allowance.⁶ Preliminary.

The table shows that housewives are paying a little less now than they did in 1963 for pork cuts—57.5 cents per pound as compared to 64.8 cents per pound in 1954. This is a decline in retail price of 7.3 cents. I doubt that many of them know, however, that the farm return for that pork had dropped 11.2 cents—about 4 cents per pound more than has been passed on to the consumer.

There is no good reason, so far as consumers are concerned, why farm prices for beef and pork should be as low as they are today. When choice beef was selling in 1958 to consumers at 81 cents per pound, the same price as in 1963, the farmers were getting 53 cents of the consumer expenditure. In 1963, although the consumers were paying the same 81 cents per pound, the farmers were getting only 45.3 cents per pound for the beef—7.7 cents less than 6 years ago.

There are obviously two aspects of the situation revealed in the price spread table which need to be investigated. One is the widening of the gap between the producers and the consumers, and why consumer prices haven't come down with farm prices.

The other is why the producers' returns have fallen, and whether manipulations, monopoly influences, inefficiency, or excessive margins somewhere in the chain of middlemen have had a part in keeping farm returns low.

Farm returns for beef today are seriously reduced by imports and large domestic supplies. But it is my belief that marketing practices are also having a major, adverse effect.

Mr. Chairman, for some time I have been convinced that chainstore buying practices, contract feeding and vertical integration have been used to depress farm prices.

Back in 1956, Senator Joseph C. O'Mahoney, then chairman of the Judiciary Committee's Subcommittee on Antitrust and Monopoly, conducted a brief investigation into the problem. I am sure the chairman of this subcommittee knows of it.

Senator McGEE. May I interrupt to say that is when the present acting chairman of this committee got his baptism in this question. I was a staff member with Senator O'Mahoney at that time and my interest, of course, has grown with the changing face of this problem in the years that have followed.

Senator McGOVERN. There was testimony that on the west coast a grocery chain took early bids on their meat supply for a week, announced publicly bids that they were accepting well in advance, and thereby set meat price levels in the area. All competitors knew what the major chain in the area was paying for its meat supply for the ensuing week.

The testimony indicated that this purchasing system was accompanied with manipulations which caused certain cuts or types of meat to accumulate in packinghouses until the holders were willing to cut prices to unload. In other words, retail market power was used to force bargains from suppliers.

Witnesses told of farm-producers who lacked reliable market information being victimized by direct buying practices. They testified how direct feeding operations, or contract feeding, were used so major retailers could drop out of the public cattle markets when prices were high, and go back in only after the withdrawal of demand had forced prices back to levels satisfactorily low to the retail chain.

As a consequence of a continuing flow of information from the Middle West about such practices, I introduced S. 1270 in the Congress on April 4, 1963, 3 months after I entered the Senate.

S. 1270 amends the Packers and Stockyards Act of 1921 to prevent large packers from entering the retail business, to prevent large retailers from entering the packing business, and to keep both out of the feeding business. It is intended to prevent vertical integration by either large retailers or packers.

I would like to submit for your record four typical letters of support I got for that bill from the National Livestock Feeders Association, from a typical small packer in Minnesota, from the U.S. Poultry & Egg Producers Association, and from the National Federation of Independent Business.

Senator McGEE. Without objection, they will be included in the record.

(The documents follow :)

NATIONAL LIVESTOCK FEEDERS ASSOCIATION,
Omaha, Nebr., July 12, 1963.

HON. GEORGE MCGOVERN,
*U.S. Senate, Senate Office Building,
Washington, D.C.*

DEAR SENATOR MCGOVERN: Of necessity there has been some delay in writing to you about your bill known as S. 1270, and the possibility of support for this measure by the National Livestock Feeders Association. You may know that a meeting of our board of directors was held in St. Louis the later part of June and a decision was made at that time. However, immediately thereafter, I left for a vacation and did not return to the office until yesterday.

I am sure you will be interested in knowing that the board of directors authorized and instructed that the association support the concept contained in S. 1270 to amend the Packers and Stockyards Act to strengthen independent competition by providing for competitive enterprise in the retail sales of meat, meat food products, livestock products, and other food items. However, this support is contingent upon several suggestions made by our board, and we hope the amendments recommended will meet with our general approval.

The members of our governing body feel that it would be appropriate and advantageous to change the limitations contained in the bill to a basis of tonnage or number of head slaughtered annually rather than designate the limitation by volume in dollars. This change is suggested because of the greater stability of annual tonnage or number of head slaughtered, whereas fluctuations in the market could bring near-borderline cases into or out of the eventual confines of the legislation. Such uncertainty would hardly be in keeping with the intent of the measure as we would visualize it.

While we were not specifically instructed in this second suggestion, nevertheless, it seemed to be the opinion of our board that the application of the limitation to concerns whose gross sales were more than \$30 million or an average equivalent in tonnage amounted to setting the figure at too high a level. Therefore, it would be our further suggestion that the annual volume to which the legislation would apply might very well be lowered considerably in order to carry out the intent of the bill as expressed in the preamble. For the moment, at least, we are not prepared to specify a definite tonnage or annual volume, but feel it would be wise to confer on this matter at our first opportunity.

Our third recommendation has to do with separating the three distinct operations of feeding, packing or processing, and retailing of livestock and meat products. In other words, if operations beyond a given annual volume are to be prohibited through such legislation from engaging in both the business of processing and retailing, it seems only logical that neither of the operations should be permitted to engage in the business of livestock feeding. We do realize that the language on page 2 and beginning on line 8 refers to this separation, but in our opinion is slightly ambiguous. Our point is that the three areas of operation should be definitely delineated.

We would appreciate your comments on our suggestions with respect to S. 1270, and also your advice on procedure by this association to move the bill

along in legislative channels. We are ready to exert the necessary effort, but feel our work should be fully coordinated with your advice.

We are aware of the fact that hearings were held earlier this year on H.R. 1706, introduced by Congressman Roosevelt. Since this hearing may give us some clues as to the attitude of various industry representatives on your bill, we have written for a copy of the record of proceedings. The copy has not been received, and we were advised on June 11 that it may be several weeks before they are delivered from the Government Printer.

At this time, I do not know how soon Bill Jones or I will be in Washington, but it is likely one of us will be in the city before long. In the meantime, perhaps we can confer to some degree by letter and at least have some coordinated procedure ready to go.

Respectfully yours,

DON F. MAGDANZ,
Executive Secretary-Treasurer.

A. J. PIETRUS & SONS Co.,
Sleepy Eye, Minn., June 21, 1963.

Senator G. McGOVERN,
*Senate Office Building,
Washington, D.C.*

DEAR SIR: We note that you have introduced Senate bill (S. 1270) to ban packer retailing, which is similar to H.R. 1706 introduced last January in the House.

We do not think that action of this kind can be taken any too quick because business is being so heavily concentrated in the hands of the mighty, that the small business firm is being rapidly eliminated. We, in the poultry business, and especially those of us who are eviscerating fowl, find that the market in this part of the country, and we know in several other parts of the country, is being entirely dominated by one large canned soup manufacturer, and that fowl, when it is through laying is simply regarded as a byproduct for which a very low price is offered.

We think that not only the packers should be regulated, but also chainstores, manufacturers of merchandise for retail, and others of similar nature should be included in your bill.

We all know that when a few large firms dominate an industry, that something has to give, and this is the case in the poultry and egg industry as well as in the industry in which the packers are engaged. One large feed company has within the last 18 months absorbed a goodly number of former processors of poultry, raisers of poultry, manufacturers of feed, producers of eggs, and handlers of eggs, and this, of course, is just a start. Every business in this country is being taken over by big business because there is too much money laying around for investment and these firms who have their stock on the exchange have a real advantage, and when they move into a territory, can put someone like ourselves out of business almost overnight if they so desire, and in most cases they do just that.

We think that packers, processors, manufacturers, etc., should be absolutely and totally divorced from the retailing business and that production, processing, marketing, and retailing should all be entirely and wholly separated businesses. If we do not have control of this kind, then certainly small business is going to die on the vine, so to speak, more rapidly than it ever has in the past.

We will appreciate hearing from you on this, with a copy of your bill.

Thanking you, we remain,

Sincerely,

J. S. PIETRUS.

UNITED STATES POULTRY & EGG PRODUCERS ASSOCIATION,
Arlington, Va., May 11, 1963.

Hon. GEORGE S. McGOVERN,
Washington, D.C.

DEAR SENATOR: We wish to express our appreciation to you for S. 1270. The poultry growers see this legislation as a means of removing the yoke of servitude and delivering them from monopolistic practices.

The United States Poultry & Egg Producers Association is a national organization representing growers, producers, cooperatives, small feed dealers, and some hatcheries.

The problems in the poultry industry are severe. Broilers selling for 23 cents per pound in New York cause problems for everyone including beef and pork producers. Returns to growers of broilers have been below cost since 1958.

We would like to suggest that S. 1270 would be more effective in curbing abuse in the poultry industry if the following changes and additions shown in parentheses were made:

Page 1, line 6, add after the word packer (live poultry dealer or handler,).

Page 2, line 9, add after the words business of feeding livestock (or poultry).

As you know, I'm sure, the broiler industry is highly integrated. The competition individual growers have is not only from retailers, but national feed manufacturers, large processors and integrators who on the one hand contract for live broilers and eggs and then develop growout programs and operations in competition with those they buy from.

Individual or groups of growers seeking improvement of contract conditions have absolutely no bargaining power when dealing with these large firms who are constantly building new competitive facilities, and I believe preliminary investigations by the packers and stockyards confirms that there is no competition in the broiler industry.

Supply and demand used to work in the broiler industry when the decision-making was at the farm level. Now the decision is made in St. Louis, Chicago, or wherever the headquarters of a large feed manufacturing firm, live poultry handler, or processor are located. The decision is not what the market will bear at a reasonable price, but to keep the big plants running at full blast. Broilers and eggs are just an end product.

We would like to request that you have the packers and stockyards division study these proposed additions to your amendment with the purpose in mind of correcting these abuses.

Unfair trade practices in the broiler industry should be of major concern to all protein industries.

Thank you again for your interest and cooperation.

Yours truly,

DAL FERRY, *Executive Director*.

NATIONAL FEDERATION OF INDEPENDENT BUSINESS,
Washington, D.C., September 9, 1963.

Re S. 1270.

HON. GEORGE S. MCGOVERN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: We recently advised you that the above bill was presented for vote to our nationwide membership, approximately 200,000 independent business and professional men, all voting members, through our official publication, the Mandate.

This poll has now been completed and the results are: 57 percent for the proposition, 36 percent against, 7 percent no vote.

Sincerely yours,

GEORGE J. BURGER, *Vice President*.

Senator McGOVERN. I was prepared to urge the Agriculture Committee to start hearings on S. 1270 when President Johnson sent up his agricultural message recommending a bipartisan commission to study what he called "market power," including the effect of chain-stores, vertical integration, and contract farming on farmers and consumers.

The proposals in S. 1270 are directly in point. Obviously, if either the Federal Trade Commission, as proposed in Senator McGee's Senate Joint Resolution 71, or the bipartisan commission recommended by the President is to conduct a study, the Congress will want the prohibition of vertical integration contained in S. 1270 reviewed in that study.

A great deal more information is needed. Whoever considers legislation to discharge the Federal responsibility in relation to excessive concentration and abuse of market power will have to probe into verti-

cal integration, whether it is a legislative committee holding hearings on S. 1270, or one of the approaches you are considering.

The principal point I want to make in my testimony here today is that it is time to be going about the job. The price situation in regard to cattle is crucial. Limitations of imports will help, but will not bring producer prices back to reasonable levels.

I want to digress for just a moment, Mr. Chairman, to say that I thought you made this point exceedingly well in your remarks on the Senate floor on Saturday. While the import problem is an important part of the problem, there is great danger in exaggerating that one aspect of a rather complicated series of factors behind the drop in livestock prices.

Senator McGEE. I think the point would be that too many people in the cattle business, for example, would peg all of their hopes on a redress of the import grievances. But even if we had the ultimate of the redress there, it would in no way eliminate this particular problem.

It would help in its own fashion, but it would not touch other forces that are directly pressing on the cost factor and price factor in the livestock market today.

Senator McGOVERN. I think the chairman's point is well taken.

The incentive for independent stockmen to adjust herds and control domestic production is going to be minimized so long as they fear great, integrated operations will go into breeding, feeding, and slaughtering in increasingly large numbers to hold markets low. Study and enactment of legislation to prevent monopoly power in the food field was never more urgent.

Mr. Chairman, I would like to mention a related problem: In his agricultural message, President Johnson advised Congress that he intends to transmit to Congress legislation to remedy defects in the present law in regard to futures trading in commodity exchanges.

Although the President separated this statement from his Commission proposal, this is another part of the job of assuring fair markets to the farmer and the consumer, and this committee should be aware of the problem during its consideration of "market power," to which the President referred.

Early in February, the price of eggs dropped disastrously in the markets of the Nation.

Heavy egg marketing and a price decline had been foreseen, but the depth of the drop was surprising. I was flooded with telegrams and letters from producers in South Dakota who were faced with serious losses.

The February 14 edition of the Poultryman, national trade paper of the industry, stated that the break was due "to heavier production and extra volume to satisfy futures contracts." On an inside page, the Urner-Barry market report said that—

surplus eggs and selling pressures have disrupted the New York and Chicago wholesale (egg) markets.

Offerings of short-held cars are reported priced at various discounts below the spot-market levels, and this has exerted a depressing, disruptive, and undermining influence.

The full Urner-Barry report will be found at page 2824 of the Congressional Record for February 17.

I wrote the Secretary of Agriculture requesting information on the effect of futures trading in the price break, and to determine whether the Department of Agriculture received sufficient reports on the commodity markets to itself make a determination of the futures market effect. I suggested a congressional inquiry might be in order.

I was disappointed that the first reply did not provide the information on the Department's situation I sought. I have renewed my request about the extent of futures trading data available in the Department, to assist in judging need for congressional inquiry.

Meanwhile, the Poultryman has carried an editorial in its February 28 edition indicating that poultrymen have frequently been hurt by egg price manipulation, and questioning whether the egg futures markets are of any value.

I would like to place in the record the Poultryman editorial, Mr. Chairman, and reply from Secretary Freeman.

Seator McGEE. Without objection, that will be included in the record.

(The documents follow:)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, February 27, 1964.

Hon. GEORGE MCGOVERN,
U.S. Senate.

DEAR GEORGE: It is always pleasant to receive comments such as those in your letter of February 14 concerning the Department's efforts to assist egg producers. We will continue doing so wherever possible. It is hoped that the Department's efforts will be of concrete value.

With regard to your comments concerning the depressing effect on egg prices of "short-held lots delivered against the January futures contract, traded on the Chicago Mercantile Exchange," the February 14 article in the Poultryman may be referring to eggs drawn to Chicago for delivery in settlement of the January egg future. Selling the eggs received on delivery would exert pressure on cash prices, and may well be what Urner-Barry is reporting.

The Department is currently investigating the possibility that there was manipulation in the January egg future price on the Chicago Mercantile Exchange. Please be assured that if the Department finds evidence of such manipulation, we will not hesitate to take action, charging violation of the Commodity Exchange Act. We will advise you of the results of this investigation.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

[Editorial from the Poultryman, Feb. 28, 1964]

PROBE OF EGG FUTURES MAY AID INDUSTRY

The egg price situation took almost two full columns of space in the Congressional Record on February 17, and the role of egg futures trading was in a prominent (or is it notorious?) position. Quoting two articles from the Poultryman of February 14, Senator George S. McGovern, of South Dakota, raised the question of the futures market's influence on daily egg price quotations. And he went on to ask Secretary Freeman to tell him the relationship of the futures market to the recent egg price decline. "I expect to ask for a congressional study to be made," said the Democratic solon.

The Senator is not alone in his concern. Action by poultry organizations and individual poultrymen during the past 12 months makes it clear that there is also much dissatisfaction within the industry. But what good is dissatisfaction?

Dissatisfaction didn't prevent the influence of futures trading on the egg market price in January and February of this year. In January, futures traders were credited with holding the market price above normal to aid their positions; this month the price slump was abetted by the sudden excess of eggs once the futures commitments were satisfied.

Producers may have "come out even" on the 2 months' highs and lows, but normal marketing certainly was disrupted. And how many times in the past have similar situations resulted, with the producer getting hurt in the ensuing price plunge?

How long poultrymen will continue to accept this situation depends to a large degree on how much anyone feels he is hurt. Groups in the Northeast and the South, and individuals from coast to coast, have gone on record opposing the trade in egg futures contracts. And that was before this year's gyrations began.

A letter from a concerned reader this week notes that Congress is taking a look at all commodity futures trading as a result of the soybean oil futures fiasco. He says it is an opportune time to press for investigation of egg futures trading and its effects on the welfare of the Nation's producers.

If the market has outlived its usefulness, as many industry men claim, it should be eliminated. Certainly an objective appraisal is in order. It may be the first step in a long-needed change in the entire egg marketing mechanism.

But before any sweeping proposals are instituted, the futures market ought to be put up to industry scrutiny. Such action may lead to a better deal for thousands of egg producers across the Nation.

Senator McGOVERN. It suggests that "if the market has outlived its usefulness, as many industry men claim, it should be eliminated. Certainly, an objective appraisal is in order. It may be the first step in a long-needed change in the entire egg marketing mechanism."

Mr. Chairman, I shall not attempt to recommend to this subcommittee a choice between the approaches before it to a study of "marketing power" and food marketing mechanisms. I have a great deal of confidence in the ability of the Federal Trade Commission and its chairman. Splendid studies have been made both by commissions and by committees of Congress.

I am sure that your subcommittee will work out a sound mechanism, or instrument, to conduct the work of investigating "market power" which will be satisfactory to all concerned. Because of its jurisdiction over at least a part of the subject matter involved, you may wish to invite the Committee on Agriculture and Forestry to assist in the exploration of this important problem.

My major objective in appearing before your committee today is to urge speedy action. Agricultural producers are being put out of business daily by low prices which, the evidence indicates, are at least partly a result of abuses of "market power."

Thank you very much, Mr. Chairman, for this opportunity to appear.

Senator McGEE. If I may, I would implement the Senator's concluding sentences by further suggestions that the Antitrust and Monopoly Subcommittee and the Attorney General's Office may likewise be equally interested in participating in this overall problem. This is no attempt to preempt them whatsoever. We believe that there is a legitimate area here to explore in terms of the jurisdiction of the Federal Trade Commission and its obligations as an investigatory agency of the Congress. It's for that purpose that we are concentrating in this particular phase of the hearing.

The Senator mentioned in earlier pages of his testimony the static condition of the price of beef as far as the housewife is concerned, while the price to the grower has continually or steadily gone down.

In my comments on the Floor of the Senate on Saturday, I made reference to local evidence of this condition. We had occasion to check the Washington newspapers of 2 years ago this month, in March of 1962, when top sirloin was being sold to the housewife across the counter at 79 cents a pound.

A check of the same chains this month show that top sirloin was being offered at 89 cents a pound, an increase of 10 cents. And in that same interval, the price to the stock grower has dropped from 27 cents a pound to 20 cents. It is that discrepancy that keeps the housewife in confusion and may hold part of the explanation why the stock grower is on the brink of disaster. It is another way of saying what the Senator has just testified to so effectively: somewhere, there needs to be some explaining.

Senator McGOVERN. I might say to the chairman that I was on the Senate floor at the time he made his statement on Saturday and I was very much aware of the meat price situation as I drove home Saturday evening.

And I happened to notice in going by one of our large chainstores in the area that they had a special on ground beef, and that was 79 cents a pound, the same price that top sirloin was a few years ago.

And I checked out the figures that the chairman mentioned on the Senate floor, all of which were displayed in large print on the window, and he is absolutely correct in the information that he brought to the attention of the Senate.

Senator McGEE. Does the Senator from Kentucky have questions for the Senator from South Dakota?

Senator MORTON. The Senator from South Dakota does not want us on the Finance Committee, which I also happen to serve, to in any way slow up our efforts in connection with imports because of this proposed investigation I assume?

Senator McGOVERN. No, sir; I would hope that the Finance Committee would move full speed ahead because the import matter, of course, is one of great significance. I think the point that Senator McGee has made, however, is very well taken, that we do not want to become so fixed in our pursuit of the import problem that we overlook some of these other equally serious problems, perhaps even more serious problems that affect our livestock prices.

A few years ago, we had, as the Senator from Kentucky knows so well, because he is a great student of this problem, a very serious dip in livestock prices, even at a time when imports were negligible. So I think we have to look to factors other than the import problem alone in explaining the drop in producer prices.

Senator MORTON. In connection with the resolution that we are discussing here, Senate Joint Resolution 71, a resolution by the acting chairman, Senator McGee, do you think that the Federal Trade Commission today has the power and the obligation and responsibility to do what is called for in this resolution?

Senator McGEE. I want to say to the Senator, I am not entirely sure whether the Commission could conceivably move ahead in this area without some indication of congressional intent on the matter. Certainly it is within the competence of the Commission and I would think within their general area of authority I am sure there are historic precedents for studies of this kind by the Federal Trade Commission and I would think they would have the staff and the competence to execute such an investigation.

Senator MORTON. Perhaps that question should be reserved for a member of the Commission when he testifies.

Senator McGEE. If the Senator will yield, may I mention a passage in the Federal Trade Commission Act, which says:

Upon the direction of the President or either House of Congress to investigate and report the facts relating to any alleged violations of the Antitrust Act by any corporation * * *.

This involves authorization by the Congress in this specific area.

Senator McGOVERN. I would like to say, in further comment upon the Senator's question, I didn't come today prepared to say which mechanism might be the most effective one for carrying out such an investigation. I don't know whether it should be done by the Federal Trade Commission or the kind of a bipartisan congressional commission that the President suggested, or what would be the proper forum, but I am sure before these hearings are completed, the committee will be in a better position to make that judgment.

Senator MORTON. You anticipated my next question because that is what I gathered from your statement—you want something done and you feel that the hearings before this committee and its deliberations would point up the best way. If the McGee resolution is the best, let's pursue it. If the President's plan is the best, let's pursue it. If some committee action or some investigation by the Congress is best, let's pursue it.

Senator McGOVERN. That is exactly my position.

Senator MORTON. One final question.

Senator McGEE. Would the Senator yield there for just one modifying statement? We also ought to include the possibility of the one implementing and supporting the other. It is not an either/or alternative, it seems to me, but it is a matter of whether the one could strengthen the other in arriving at the final judgment.

Senator McGOVERN. I think it is quite possible that a combination of these methods might be used to arrive at the answers that we are seeking.

Senator MORTON. If we can keep the efforts coordinated so it is not just, "Let Joe do it," on the part of everyone so what gets to be everybody's task is on one person's responsibility. However, I am sure that we will, as a committee, go into that.

One final question, Senator. In your statement, you deal with the futures market. You confine yourself pretty much to the futures market in eggs and poultry products. You come from a great grain producing State. Do you feel that the grain futures markets are helped or hindered in the marketing of grain?

Senator McGOVERN. I haven't been aware of any abuses in that field. Senator. My impression is that it has not been a problem.

Senator MORTON. Thank you, Mr. Chairman.

Senator McGEE. Does the Senator from Texas have any comment?

Senator YARBOROUGH. Mr. Chairman, I think the statements made by you and by Senator McGovern, of South Dakota, are both very beneficial on this subject.

I represent the State that is the largest meat producer in the Union, some 10 million head of cattle. This problem has been forcing the small independent family-type farmer, stock farmer, out of business for months. These are farmers that have been in the business for years and they were feeding tens of thousands head of steers at the time.

The buying practices of these chainstores have been detailed here by the two distinguished Senators; it has been pressing in on every element of the free competitive economy. I have a question that the chairman might want to answer or Senator McGovern or the two jointly might have a comment on it.

As I have listened to these statements, this thought has come to me about the weakness of the rancher in going into markets and selling his steers as against these forces where not only a big chain buys, but as pointed out in the chairman's statement, they engage in group purchasing. A bunch of chainstores will hire one buyer to go in and make group purchases for the whole.

Now in other areas of production, those engaged in agriculture have attempted to meet this by cooperative selling. It seems this effort has caught on very strongly in certain fields. I don't know whether either of you have given that thought to whether you want to comment on it or not, as to whether you think the ranchers might be driven into cooperatives to give them more bargaining power at the selling table. Of course, beef is on the hoof and not marketed like cotton or wheat or something in the warehouse. They take them into the auction ring in my part of country and most of them are sold in the auction ring.

Senator McGEE. The number of cooperative groups, I am advised, in the business of selling to the chains is marginal. This has not been developed very fully under our present system. Of course, one of the limitations, I suspect, would be that the average large food chain is marketing some 5,000 or 6,000 separate items and their economic capability, their bargaining position, has great fluidity. They can shift this over a very wide spectrum, whereas the individuals who depend upon one product in their selling, have a very narrow and very limited bargaining position, even in cooperatives.

I would think that cooperative selling would be a step in the right direction or at least it would increase the bargaining capability.

But, it is an open question and producers should determine whether they could ever achieve through it a fair bargaining position.

Senator YARBOROUGH. Of course, one apparent difficulty that the rancher would have is that the cotton co-ops or the grain marketing co-ops can store their bales of cotton in the warehouse and accumulate quite a bit, hold it off the market and deal with the buyer at an arm's length negotiating position. But, when these steers or stock calves are ready to market, you can't hold them over because every month that the rancher is holding them off the market with the feedlot operator, he is pouring more money into them. And as they reach the prime point for marketing, from there on, he is running into the law of diminishing returns unless there is a sharp upturn.

Senator McGEE. And running into the law of diminishing returns from still another point of view and that is the longer he holds that livestock off the market, the heavier it is getting. We have instances now reported to us of feedlots carrying 1,600- and 1,800-pound steers. This is a depressive factor in itself for the market and, therefore, there is a questionable margin of maneuverability that the handler of livestock has. He is a prisoner of the fact that his product is live and it has to be moved fast.

Senator MCGOVERN. I think the Senator from Texas has touched on an important part of the problem that this committee will cer-

tainly want to look into, but as he knows so well, it is much easier for three or four big chains in a given area to get together on a single buyer who will represent their interest than it would be to organize a cooperative selling mechanism involving several thousand or perhaps several hundred thousand individual livestock products.

This is just a personal thought that occurred to me, that it is going to be particularly hard, even if it were a desirable solution, to organize a cooperative selling group in the livestock industry because of the long tradition of individualism that characterizes most people in that industry. I think that a more hopeful source of relief will come if we can find some way to restore competition in the buying of livestock rather than trying to increase the selling strength of the producer.

Senator YARBOROUGH. It seems to me that this group purchasing should be referred to the Attorney General for investigation. We should work on different facets of this problem because that might well violate the antitrust laws for a group of chains to designate one purchaser for all of them to go into the market as a single buyer and as you have stated, Mr. Chairman, to eliminate competitive buying for the product in question. Certainly it could be a violation of the antitrust laws if that buyer was the only buyer for the chains and it seems to me it might well be in violation of the antitrust laws if it eliminates the competitive situation between some of the chains in the buying market.

I am interested in the statement of the distinguished Senator from Kentucky about the Finance Committee and I hope that committee will not relax the very commendable diligence and vigilance they have shown in proceeding with this.

I have read this resolution by the National Farmers Union that the chairman has quoted in his statement that the meat imports have contributed to these losses but have been insignificant in comparison to the disastrously low prices forced upon producers by large food chains through their power to administer prices. I can't believe that these meat imports have been insignificant in this where they have increased in 5 years from 3 percent of our domestic market to 10 or 11 percent of our domestic market. When they consume that much of even the growing domestic market, a rapid jump of 11 percent—

Senator McGEE. Just under 11 percent.

Senator YARBOROUGH. It seems to me that is a very significant factor in this and I hope that action on S. 2525, offered chiefly by Senator Mansfield, the majority leader, and I believe you gentlemen are co-authors—I know I am a coauthor of that resolution—will hopefully proceed. I think this is equally important. It doesn't seem to me to diminish the need for action on S. 2525.

As a representative from the largest cattle-raising State in the Union, and I am not speaking of square miles of territory but I am speaking of the number of head on the hoof, I want to congratulate and thank you two distinguished Senators for the work you have been doing on this problem.

Senator McGEE. If Texas would give up the raising of cattle, it might help to readjust the price levels in the beef industry.

Senator YARBOROUGH. I am so shocked at such a suggestion from the Senator from Wyoming, since his cattle industry was founded from our State. We exported both men and cattle to Wyoming. The Demo-

cratic Party was founded in Wyoming by a distinguished predecessor of his who was reared 10 miles from the spot I was reared, the distinguished Senator Kendrick, so I am just amazed that the Senator should make such a suggestion.

I fear that if this Texas influence left Wyoming, the Democratic influence might leave too.

Senator McGEE. We have always been appreciative of the long trail and long drive in history when cattle were driven up there from Texas and we realize Texas has often looked on Wyoming as an outlying province, a sort of colonial dependent. We question, with all facetiousness, that anyone can outlie Texas.

Senator YARBOROUGH. We will concede that we sold our claim to Wyoming to the Federal Government in 1850 and we gave it up back there for a consideration that some of us have regretted since.

Senator McGEE. I must say we regard ourselves as kissing cousins and we have much the same interests and applaud the Senator's interest in this phase of the question.

Senator McGOVERN. Would the Senator from Texas have any more Democrats he wants to export?

Senator YARBOROUGH. We need them all at home now; times have changed.

Senator McGEE. The Senator from Michigan.

Senator HART. You know, I was struck and benefited by this concentration on livestock and agriculture products in this study setting because the truth is that as the Antitrust and Monopoly Committee sees it, this is just one chapter in a much longer book and I am sure will be benefited by this chapter.

Vertical integration is not unique to the farm. We now find radio manufacturers in a position to assemble transistors if the transistor manufacturers are not responsive to the interest and bids of the ultimate unit producers. Speaking as one from Detroit, there are very few independent automobile body dealers left.

This suggests what the ultimate outcome will be if we don't handle this quickly. It isn't just the vertical, it is the conglomerate and I am sure as we get into this, we may find an aspect of the conglomerate in the agriculture, too.

Senator McGEE. I think in all fairness that we have to recognize that our whole economic face is changing in this country and in these times for lots of reasons. Our concept of bigness is changing from what it was, let's say, at the dawn of the century when Teddy Roosevelt conducted his trustbusting crusade. It is our hope that we can keep pace with the changing times as we readjust our concepts of what the profile of business really means in our economy, what the concentration of economic power may mean in relation to the alternatives that confront us. It is imperative that we have a hard look at this transitional economic change that is taking place in all of our levels.

We want to have the largest sense of responsibility to the individuals, to the consumers involved, the producers involved, and still be realistic as to the forces of change. So we do not pretend to prejudge the factors of business, the factor of bigness, the factor of marketing practices, but rather to determine whether there are any patently unfair and grievous practices that should be restrained or restricted or modified or implemented in other ways in order that the entire

country may enjoy what the President has referred to recently as a "better deal."

Senator HART. Any education of the consumer as to where his dollar really goes is always good.

Senator McGEE. The Senator from Michigan has been one of the architects of this effort to educate the consumer as to what he is getting and what he thinks he is getting and what he isn't getting with the dollar that he spends across the counter.

Senator McGOVERN. Mr. Chairman, I want to again express my appreciation to you for the leadership that you have provided in setting off these hearings and also for the efforts that you have made all down the line in improving the conditions in the livestock industry.

At the same time, a commendation is in order for the Senator from Michigan, who, as he properly pointed out, has been ranging over a broad field of problems that are of interest to all producers and consumers.

Senator YARBOROUGH. Mr. Chairman, I think in connection with the statement of the distinguished Senator from South Dakota, this is a question in the retail marketing studies that the Senator from Michigan has been making which become very pertinent at this point to this overall problem that those of us in the producing areas have and that is: what part in this higher price the consumer is paying for a pound of meat has to do with the packaging of that meat?

I know his studies have shown that some marketing practices put out a package of breakfast food in a supergiant size which actually has a reduced number of ounces of breakfast food in the package after you get into the sealed waxpaper inside. Certainly modern packaging—when you go into modern retail stores, there are many different kinds of labels and packaging which cost more but does look more attractive to the buying consumer.

I think that this study of retail prices is going to necessarily involve consideration of marketing practices in the sense not of mass purchases and mass selling, but in the packaging of the product.

I thank you. I have no further comments.

Senator McGEE. On behalf of the committee then, I would like to thank the distinguished Senator from South Dakota for his contribution to the hearings this morning and to his longstanding efforts on behalf of the overall problem for many years.

Senator McGOVERN. Thank you very much, Mr. Chairman.

Senator McGEE. The next witness scheduled before the committee originally was to be the Chairman of the Federal Trade Commission. He is committed to an appearance of long duration previously undertaken. However, we have as our next witness, a Commissioner of the Federal Trade Commission, the Honorable A. Everette MacIntyre.

Mr. Commissioner, would you come forward, please, along with the members of your staff.

I would like to add that the distinguished Commissioner was the general counsel for the subcommittee in the House that investigated small business problems in food distribution some few years ago, and I would assume that in the interchange here today, that there would be some things that the Commissioner will be in a position to say as a member of the FTC, and perhaps other things which call upon the wealth of his experience. He might have to be separated from the

Commission or his role as a Commissioner, and put on another hat in order to call upon his reservoir of knowledge from the earlier years of his service on this problem.

Mr. Commissioner, we welcome you to this hearing this morning. I wonder if for the record you would identify the members of the staff with you.

STATEMENT OF HON. A. EVERETTE MacINTYRE, FEDERAL TRADE COMMISSIONER; ACCOMPANIED BY J. V. BUFFINGTON, ADMINISTRATIVE ASSISTANT TO THE CHAIRMAN; JOHN WHEELOCK, EXECUTIVE DIRECTOR; WILLARD F. MUELLER, DIRECTOR, BUREAU OF ECONOMICS; AND FLETCHER G. COHN, ASSISTANT GENERAL COUNSEL

Mr. MACINTYRE. Mr. Chairman, members of the committee, I have with me Mr. John Wheelock, Executive Director of the Federal Trade Commission staff, to my right, and immediately to my left, Mr. John V. Buffington, assistant to the Chairman, and to his left, Mr. Fletcher Cohn, Assistant General Counsel, and immediately to my right, Mr. Willard Mueller, the Director of the Bureau of Economics.

Senator McGEE. You may proceed.

Mr. MACINTYRE. Mr. Chairman, as you have noted, I am appearing today instead of the Chairman, Paul Rand Dixon, who, due to a prior commitment, was under engagement to be out of the city today.

I also wish to apologize that due to circumstances beyond the control of either of us, that we weren't able to have a prepared statement beyond the report, copies of which I have supplied to you and to other members of the committee. That is, the report that was prepared and approved by the Federal Trade Commission in response to a request from this committee for comment on Senate Joint Resolution 71.

Before going into that report, I would like to comment upon the background of it, if I may. As you well recall, Mr. Chairman, you and the Federal Trade Commission had received a number of complaints about conditions and practices in the marketing of livestock. And as a result of those complaints, the Trade Commission was requested to undertake a very thorough and extensive investigation of relevant practices and conditions.

You, in doing so, addressed Mr. Dixon, Chairman of the Federal Trade Commission under date of March 28, to which he replied in early April of 1963—

Senator McGEE. This was a year ago?

Mr. MACINTYRE. Yes, sir. [Continuing:] That he was aware of these complaints, that they had been made to the Federal Trade Commission, that they had been given some consideration and a request for investigation had been given consideration by the Federal Trade Commission.

Then he outlined why he felt this matter should be given some attention by the Congress. In that connection, I would, with your leave, like to read from the top of page 2 of that letter. He said:

On the other hand, I have discussed this matter with my colleagues and it is our view that perhaps the time is very well right for a thorough investigation into the general marketing and pricing practices of chainstores.

It has been our observation, based upon complaints in the past as well as current investigations and formal actions, that the activities of the various chainstores, are indeed difficult, if not impossible, to understand under our system of free competitive enterprise.

The practices of which you complain in the cattle market are not unlike the many complaints we have received with respect to the poultry market. Already, in conjunction with the Department of Agriculture, we have given this matter considerable thought. We also have much of our resources tied up in the investigation and prosecution of cases involving pricing practices in the fluid milk industry.

The same applied to the bakery industry and indeed, to the food industry generally. I suspect that much of the trouble is occasioned by the vertical integration not only of the meat industry, but also of the food industry as a whole and of the chainstores as well.

And so, as I have said, a general full-scale investigation into chainstore activities would be highly desirable. With this in mind, I would like to make this suggestion to you for your consideration. I suggest that you have prepared for introduction, a joint resolution directing the Federal Trade Commission to hold public hearings into the marketing and pricing practices of chainstore operators.

Following that, you did introduce Senate Joint Resolution 71 and your committee requested the Commission to make comment on that resolution. It has now done so and I have passed copies of that report to you and we will be supplying an adequate number to your committee. With your permission, I will read that.

Senator McGEE. Would you proceed with the reading.

Mr. MACINTYRE (reading) :

DEAR MR. CHAIRMAN: This is in response to your letter of April 29, 1963, requesting the Federal Trade Commission to comment on Senate Joint Resolution 71, 88th Congress, 1st session, a joint resolution to authorize and direct the conduct by the Federal Trade Commission of a comprehensive investigation of chainstore practices which may be in violation of the antitrust laws, and for other purposes.

The Commission recommends that the subject resolution be broadened so that the proposed investigation not only be with reference to the purchasing, processing, marketing and pricing practices of chainstore operators, but also of their suppliers as such practices affect commerce.

Frequently, the practices of the chainstore operators, especially those relating to the purchasing and pricing of the commodities which they sell, are related to, or are inseparably intertwined with, similar practices of the suppliers of such commodities.

Furthermore, we believe that if the practices of the chainstore operators and suppliers, which are to be investigated, "affect commerce," they should be subject to investigation. The Supreme Court of the United States declared that the clause "in commerce," as it appears in section 5 of the Federal Trade Commission Act, is not to be interpreted as including unfair methods of competition affecting interstate commerce, so that for the Commission to act in such instances would require a "much clearer manifestation of intention than Congress has furnished." (See *Bunte Brothers, Inc. v. Federal Trade Commission*, 312 U.S. 349, 355, (1951).) In order to avoid any question of jurisdiction as to whether a particular practice being investigated is in commerce, the Commission recommends that the words "in commerce" in the subject resolution be changed to read "affect commerce."

Senator McGEE. If I may interrupt, it is your judgment that in order to have a full look at the problem of these forces on the marketing practices, that under the present empowering resolution for the Federal Trade Commission, you are limited in your investigatory activities unless it can be broadened to include the phrase "affect commerce" instead of "in commerce."

Mr. MACINTYRE. We think so. We aren't too sure about that, but we believe it would be better to include the words "affect commerce,"

so that any questions in that regard would be resolved and removed.
 Senator McGEE. Proceed.

Mr. MACINTYRE (reading) :

Should the committee agree to these recommendations, in line 8 on page 1, after the words "chainstore operators", there would be a deletion of the words "engaged in commerce" and an addition of the words "and their suppliers as such practices affect commerce."

With these changes, subsection (a) of section 1 of Senate Joint Resolution 71 would read: "conduct a full and complete investigation of the purchasing, processing, marketing, and pricing practices of chainstore operators and their suppliers as such practices affect commerce (as that term is defined by section 4 of the Federal Trade Commission Act) * * *."

It has been our observation, based upon complaints in the past as well as current investigations and formal actions, that the activities of the various chainstores, particularly those engaged in retailing food, are very complex and difficult to understand under our system of free competitive enterprise.

Also, it might be observed that within the last 20 years, large good chainstore operators have engaged more and more in the use of private labels, a device which has caused havoc among all producers. With the economic levers that buyers for such chainstores possess, it is possible for them to manipulate various facets of the market to their own advantage.

We are convinced that it would be very much in the public interest for the contemplated comprehensive investigation to be made to determine whether any of the practices, to be covered, violate provisions of the antitrust laws.

Another problem which would be considered in connection with the contemplated investigation is whether our present antitrust laws are adequate to protect the public from the specified practices of chainstore operators and their suppliers as such practices affect commerce. We are not certain that if these laws need to be changed, what should be the nature and extent of such changes.

It is our belief that, through the proposed investigation, much data will be secured which will be of considerable value in attempting to find a solution to such problems.

Since the conduct of such an investigation undoubtedly would require considerable expenditures of money, the Commission notes with approval section 2 of Senate Joint Resolution 71, which authorizes that there be appropriated for the use of the Commission such sums as may be required to carry into effect the provisions of the resolution. The Commission is satisfied, that considering the performance of its many statutory duties, it would not be able to conduct the type of investigation contemplated in its present budget.

The Commission favors the enactment of Senate Joint Resolution 71 with the amendments we have recommended.

By direction of the Commission.

That, of course, is signed by the Chairman. I call your attention especially to the footnote appearing at the bottom of that report and I read it, if I may:

The Bureau of the Budget advises while there is no objection from the standpoint of administration's program to such report as you deem appropriate, the President has proposed a somewhat different approach to a review of changes in marketing practices than that reflected in Senate Joint Resolution 71. We expect that this alternative approach will be placed before the Congress in the very near future.

Of course, the Commission has quite recently been made aware of the message of the President to the Congress and his suggestion that there be established a bipartisan commission to make a study of the problems to which your resolution is directed.

The Commission has taken a position that it would favor, as it has your resolution, any resolution which would seek to establish a bipartisan commission of the Congress for the study of the problems to which your resolution is directed somewhat along the lines of the TNEC Committee.

I believe that completes all of the matters on which I am authorized by the Commission to speak for the Commission. However, I am at your pleasure to hear any questions which you may direct to me and provide answers as I may be able to provide you.

Senator McGEE. I think the committee would appreciate your explanation of what the difference would be between a TNEC-type of bipartisan commission you just referred to and the proposal by the President in his message of a bipartisan commission. Would there be any difference?

Mr. MACINTYRE. I don't know what the President is going to actually suggest to you in the nature of a bipartisan commission. The Commission, after it was informed of the President's message, did take a position that it would, of course, favor, as it has your resolution, a resolution that would establish a joint congressional committee or commission which would include Members of the Senate, Members of the House, and members of other agencies of the Government, as did the TNEC Committee back in the late thirties and early forties.

Senator McGEE. The Chairman's letter suggests in its closing passages that, at the present time, the Commission would be short of funds to institute an investigation of the type envisaged in this resolution. Would you be in a position or would the Chairman better be in a position to estimate what the difference would be in terms of expected costs if the FTC were to institute this study at the present time or if the Presidential Commission were to undertake it or if both were to do it? Is there a way to integrate it so that the cost factor might become a complementary one rather than simply an additional one?

Mr. MACINTYRE. That is a very difficult question to answer, Mr. Chairman. We do believe this, that the Federal Trade Commission has knowledge it has acquired through investigations, studies, and reports that it has made regarding the food industry, and it could therefore make an investigation and report as suggested in your resolution perhaps covering the same ground in the same way at less cost than any new organization.

Senator McGEE. If I understand you correctly, this would be largely because you are in that business now?

Mr. MACINTYRE. Yes, sir.

Senator McGEE. You have the trained personnel at least for the leadership of it?

Mr. MACINTYRE. Yes.

Senator McGEE. And the files and records that you have accumulated that would lend themselves to proceeding along those lines?

Mr. MACINTYRE. Yes, sir.

Senator McGEE. Are you suggesting then that the assembling now of another kind of commission might even take longer as well as more money to get underway?

Mr. MACINTYRE. No, I wouldn't want to be taking that position. I would say that if the Congress, in its wisdom, should decide, at the suggestion of the President, as he has indicated in his message already, to establish a bipartisan Commission composed of Senators, House Members and representatives of the different agencies of the Government, then perhaps we could be assisting, as other agencies of the Government, this committee of the Congress to reach a study and in that way, supply facilities and resources of our agency, as well as knowledge.

Senator McGEE. Would you have any way of estimating, if you were authorized by the Congress to proceed under the terms of this resolution, how long it would be before you could in effect be under-way with this?

Mr. MACINTYRE. It would be rather soon, but I can't specify in terms of the number of days.

Senator McGEE. Would it be days or months?

Mr. MACINTYRE. I think it would be in a matter of weeks, a very few weeks.

Senator McGEE. The reason I raise that point is that some of the elements involved in the motivation for this resolution bear sort of a time-bomb factor. What is happening in terms of cattle prices is what is happening in terms of feed lot operators. This industry's problems will not lend themselves to a leisurely approach to this or to a long-range study of the changing economic phase of the market in America.

Likewise, this situation will require some answers as quickly as we can bring them about. And that really was the purpose of my question in trying to determine how soon you might be at the business of looking into this.

Mr. MACINTYRE. We have a very capable organization in the Economics Division of the Commission, I think, that would be given this job and some of their people assigned to it very quickly.

Senator McGEE. I think before I turn to some of the other background on the question of the problem that faces us, perhaps other members of the committee would like to question you on this approach. The Senator from Kentucky.

Senator MORTON. Yes, sir, on that, Commissioner MacIntyre, what was the date that you refer to in your opening statement which you received the letter from Senator McGee in 1963?

Mr. MACINTYRE. Senator McGee wrote Mr. Rand Dixon, Chairman of the Federal Trade Commission, under date of March 28, 1963.

Senator MORTON. March 28, 1963.

Mr. MACINTYRE. In which he requested that consideration be given to this problem and noted that he had been receiving quite a number of complaints. And then the Chairman of the Commission responded to that under date of April 9, 1963, as I have indicated, acknowledging that he had been receiving a number of complaints and that the members of the Commission had been giving some consideration to those.

Senator McGEE. Perhaps it would be well if we put that letter in the record at this point, if there is no objection.

(The letter follows:)

FEDERAL TRADE COMMISSION,
Washington, D.C., April 9, 1963.

HON. GALE W. MCGEE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: In your letter of March 28 you point out that within the past few months the price of fat cattle has fallen to such a degree that the situation which now prevails is most alarming. You state that from your investigation it appears that marketing practices of some of the large chainstores may be to blame in that although the price of fat cattle has dropped \$8 per hundredweight, there is no evidence to show that the retail price of meat at the stores has dropped at all. You further point out that the packers have also received greatly reduced prices for carcass beef. You state that it is your feeling that the Federal

Trade Commission should conduct a full-scale investigation into the marketing practices of the meat industry, with greatest emphasis upon the vertical integration occurring within the industry by reason of the activities of some of the large chainstores.

Recently, Mr. W. C. Crew, president and general manager of the Denver Union Stockyard Co., and a group of his associates, called upon me to discuss this same situation. It developed, however, that they had no concrete evidence nor did they know that any existed, by which it might be proved that the large chainstore buyers were in agreement among themselves to depress prices which they are paying for carcass beef or, in the case of those chainstores which are packers themselves, to depress the prices they are paying for fat cattle. And, as you can fully appreciate, for the Commission to undertake an investigation such as the one you suggest without reason to believe that specific laws are being violated, although appearing desirable, would be difficult to justify in view of our limited budget and personnel. Also, an investigation limited to the meat industry would, in my opinion, provide only a partial answer to the overall problem.

I would be remiss if I did not also point out to you that when the Commission approaches the meat industry, whether it be beef, pork, lamb, or poultry, we have considerable difficulty because of the limitations Congress imposed upon the Commission in the passage of the Packers and Stockyards Act, which difficulties were not completely alleviated by passage of the O'Mahoney Act.

On the other hand, I have discussed this matter with my colleagues and it is our view that perhaps the time is very well ripe for a thorough investigation into the general marketing and pricing practices of the chainstores. It has been our observation, based upon complaints and past as well as current investigations and formal actions, that the activities of the various chainstores are indeed difficult, if not impossible, to understand under our system of free, competitive enterprise. The practices of which you complain in the cattle market are not unlike the many complaints we have received with respect to the poultry market. Already in conjunction with the Department of Agriculture we have given this matter considerable thought. We also have much of our resources tied up in the investigation and prosecution of cases involving pricing practices in the fluid milk industry. The same applies to the bakery industry, and, indeed, to the food industries generally. I suspect that much of the trouble is occasioned by the vertical integration not only of the meat industry but also of the food industries as a whole and of the chainstores as well. And so, as I have said, a general full-scale investigation into chainstore activities would be highly desirable.

With this in mind, I would make this recommendation to you for your serious consideration. I suggest that you have prepared for introduction a joint resolution directing the Federal Trade Commission to hold public hearings into the marketing and pricing practices of chainstore operators. I suggest that the resolution cover the entire field of chainstore operation and not be limited to trading in meats because if it is broad enough to cover some of the other troubled sectors of our economy, such as the poultry industry, the packing industry, the canning and baking industries and small business generally, you might very well pick up considerable additional support for it. Also, I have in mind that within the last 20 years, large chainstore operators have engaged more and more in the use of private labels. The use of this device has created great havoc among all producers. With the economic leverage that chainstore buyers possess it is possible for them to manipulate various facets of the market just as an organ player manipulates the keys on an organ. Whether or not our laws are now adequate on this subject, I am not certain. I do believe, however, that these and other related questions might be resolved if the same type of investigation were conducted by the Commission as has been conducted by it in the past under joint resolutions of the Congress.

If there appears to be any merit to this recommendation, I would be very happy to cooperate with you in any way in helping to implement it.

With kindest personal regards, I am,
Sincerely,

PAUL RAND DIXON, *Chairman.*

Senator MORTON. As I get this timetable, on March 28, 1963, Senator McGee wrote the Federal Trade Commission. On April 9, 1963, the Commission replied. On April 26, 1963, Senator McGee introduced his resolution. On January 31, 1964, we received the message

from the President in connection with agriculture, in which he urged the Congress to establish a bipartisan Commission.

On April 29, 1963, a letter from Chairman Magnuson was addressed to the Commission asking for a report on the resolution which Senator McGee had introduced and finally on March 21, 1964, and this reply was received.

Mr. Chairman, we have talked here about expediting this thing. Since your first letter to the Commission was March 28, 1963, and we finally got a report from the Commission on March 21, 1964, that is 1 week less than 1 year.

I want to be sure if we are going at this, we are going at this aggressively and not just letting this thing drift along as we did for a year and under the pressure perhaps of the coming political campaign we suddenly get active. We had more time to fool with this last year than we are going to have this year, or at least for the next 10 weeks.

The only chance we are going to have for considering the joint resolution will be between 8:30 and 10 o'clock in the mornings, and I hope that if we get into it, we can move a little bit more expeditiously than the Commission has.

Now I have some other questions, but I know you have some and we won't finish today, but I think that comment ought to be made.

Senator McGEE. May I interject in connection with the comment just made by my colleague from Kentucky, that the coincidence has little or nothing to do with 1964 as a campaign year. It has a great deal to do with 1964 in the sense that the cattlemen's situation is steadily deteriorating.

This situation has gotten much worse since my bill was introduced. Once in a while, we have a penchant in this country for letting things kind of drag along until they threaten to blow up in our face. This is human nature.

The plight of the cattleman, the plight of the feed lot operator, to mention two cases in point, has become so acute, particularly in the last 4 or 5 months of last year, that this has been one of the forces that has brought this to the fore and we have been able to get more people to pay attention to it now.

It has been our difficulty in the past to alert enough people of interest in this to get concerned. We only say that it is later than we would have hoped; it is later than we think, and I couldn't agree more with the Senator in his suggestion that we not dawdle over this, that we get moving on it.

Senator MORRIS. My review of this time scheduling, Mr. Chairman, was made for this reason: You were questioning the representative of the Commission as to how quickly they could move along. I am merely pointing out it took them from April 29, 1963, to March 21, 1964, to file a four-page report.

And according to my figuring, that is 11 months less 1 week.

Senator McGEE. I think the timetable that you have so properly listed is one of the best illustrations of why it takes, sometimes, congressional action, congressional resolutions, in order to light fires under some of our problems and try to produce action on them.

The Senator from Texas.

Senator YARBOROUGH. Mr. Chairman, I think it is the imminency of financial disaster to the livestock producers of this country, rather than the imminency of the political campaigns that has called for this hearing today.

I noted the introduction of this resolution in April of last year, but the case of livestock has worsened so rapidly and so greatly in the last 12 months, that beginning about the first of this year, January, I began to hear from different parts of my State about this problem of auction ring operators, who had been successful, and who had operated auction rings in counties for the benefit of themselves and the growers successfully for decades, who are going to the wall.

I mentioned one that has gone to the wall within the past—well, the people didn't go to the wall as there is great financial strength in my State, but they announced they were forced to close, sell the steers and close the lot. They lost \$5 million in a few years. So another competitive market is going for the producers.

This thing has become very bad in the past 90 days with the continual dropping of prices of cattle. One of the things that disturbs me about this, and I want to ask you about this, Mr. MacIntyre, is the note at the bottom of Mr. Dixon's letter of March 21, about the Bureau of the Budget and administration's program, and proposed different approach of the President, does the Federal Trade Commission feel that action should be withheld until we have that recommendation from the President?

What has happened to the livestock industry in my State, this has now reached emergency status. We have in the State, with large agriculture production, production that equals about \$2.5 billion a year for all agriculture production; \$1 billion of that, roughly, is in livestock of different types, about 40 percent of the total agriculture production in the State that has more farm families in it than any other State in the Union.

The disastrous drop of prices in the past year, particularly in the last 3 months, is being felt by these cattlemen. They are accustomed to drought and weather and things, but these low prices are beginning to wipe them out.

This is one of the most serious ever in my part of the country in the meat-producing industry. I would like to know if you have any comment on that note at the bottom of Chairman Dixon's letter?

Is this a suggestion that we should wait until the President's message comes before proceeding?

Mr. MACINTYRE. Well, in response to your question, Senator, I would say this, that if it was a matter of a long period of time, I would say it would be a matter for Congress to consider in the light of all these pressing circumstances whether it should wait.

But we were informed, Chairman Dixon and I were, on Saturday afternoon, that this proposal would likely be before you in this current week. In view of that, I would say that probably there wouldn't be much delay to permit you to consider the entire matter at one time.

Senator YARBOROUGH. I would agree we are coming within the space of 3 or 4 days in 1 week—

Senator MCGEE. We are faced now with a live quorum for members of the committee. I am wondering if the Commissioner would agree to return here tomorrow morning, if that is agreeable, and we would like to continue the questioning with him at that time.

We will go into other matters that we think maybe would be helpful to the committee as well.

Mr. MACINTYRE. As you please, and what would be the hour?

Senator McGEE. I would suggest that we make the hour the same as today, 8:30.

Mr. MACINTYRE. Yes, sir.

Senator McGEE. The committee will recess until 8:30 tomorrow morning.

(Whereupon, at 10:05 a.m., the subcommittee adjourned, to reconvene at 8:30 a.m., Tuesday, March 24, 1964.)

(The following statement was subsequently supplied:)

STATEMENT OF SENATOR QUENTIN N. BURDICK

Thank you for this opportunity to present my views on Senate Joint Resolution 71, to authorize a Federal Trade Commission investigation of food chain marketing practices.

The massive purchasing power of food chains has given them an enormous bargaining advantage over sellers of agricultural products. In the interests of producers and consumers and of the entire economy, an intensive analysis is needed on the manner in which this power is exercised.

I am pleased that this problem was recognized by President Johnson in his recent agriculture message and that he recommended such an analysis.

The trouble that can arise from unequal supply and demand is illustrated in the prices of meat. The large food chains are in a position to dictate the price they wish to pay for cattle—and that price has been declining to alarmingly low levels.

The slump in livestock prices has caused deep concern in my State of North Dakota, as well as in other meat-producing States.

The high level of imports is a significant factor in the income drop of producers, and action to limit imports at realistic levels should be taken. Last October, I introduced a resolution calling for an investigation of beef imports by the U.S. Tariff Commission. The Senate Finance Committee approved my resolution—the only action necessary to launch the study, which is now underway.

I am, furthermore, a cosponsor of Senator Mansfield's legislative proposal to limit imports of beef, veal, mutton, and lamb to the average of the past 5 years. I am pleased that hearings on this legislation currently are being conducted in the Senate Finance Committee.

While I have stressed imports, I recognize that an integral part of the meat price picture is the vast, concentrated economic power of the food chains. Based on present information, they may be using this power to exert downward pressure on livestock prices.

You would expect the prices the housewife must pay in the supermarket to come down with farm prices. But they have not done so—the prices she must pay have held steady and in some instances have increased.

As a consequence, the farmers' share of each consumer dollar has been shrinking. For example, his share of the consumer dollar for choice grade beef has dropped from 65 cents in 1954 to 55 cents in 1964, according to the marketing and transportation report issued by the Department of Agriculture.

Are monopolistic practices and manipulations responsible for this enigma? What is the degree of vertical integration of food chains into packing plants, feedlots and ranches? Are middlemen taking excessive profits? Is the small retail food store affected?

Only a full-scale investigation will provide the answers.

STUDY OF FOOD MARKETING

TUESDAY, MARCH 24, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met at 8:35 a.m. in room 5110, New Senate Office Building, Hon. Gale W. McGee presiding.

Senator McGEE. The committee will resume in session.

Mr. MacIntyre, will you and your staff come to the microphone?

FURTHER STATEMENT OF HON. A. EVERETTE MacINTYRE, FEDERAL TRADE COMMISSIONER; ACCOMPANIED BY J. V. BUFFINGTON, ADMINISTRATIVE ASSISTANT TO THE CHAIRMAN; JOHN WHEELLOCK, EXECUTIVE DIRECTOR; WILLARD F. MUELLER, DIRECTOR, BUREAU OF ECONOMICS; AND FLETCHER G. COHN, ASSISTANT GENERAL COUNSEL

Mr. MACINTYRE. Thank you.

Senator McGEE. Mr. Commissioner, as you know, we were discussing some of the ramifications of the questions that have been raised here. We were concerning ourselves as well with the kind of investigatory body that might be appropriate to do this job, the alternatives being the FTC as suggested in Senate Joint Resolution 71 and the pending proposal from the executive branch of the Government as revealed in the President's agriculture message of a new bipartisan Commission and in including extra governmental members, such as representatives of private industry and other segments of the economy, including, perhaps, the chains themselves.

The suggestion was made yesterday that such a proposal need not be an either/or; that one could complement the other. I wonder if you could compare for us in more detail than our time permitted yesterday, Mr. Commissioner, the relative advantages and disadvantages of the two approaches; namely, the FTC approach and the extra-governmental body approach.

I am excluding from that now the TNEC-type which has not been a concrete suggestion on this policy level for the moment.

Mr. MACINTYRE. Mr. Chairman, the Federal Trade Commission gave some consideration to this problem as I noted yesterday, subsequent to the President's message of January 31 this year, but it wasn't informed on that at that time except as provided in the message itself, about the nature of the Commission that the President would have in mind. The Commission considered that the establishment of a bipartisan commission could take into account and involve the type of a commission such as I suggested yesterday, the TNEC-type of com-

mission with the Congress in control of it, with Senators and Congressmen in the membership, and with the heads of agencies constituting the remainder of that membership.

So the Federal Trade Commission, in its consideration of the matter, did not do anything but speculate in that regard because it had, at that time, no other information before it than what the President had included in his message.

It didn't go further and speculate about some other type of private commission. However, we have had information since then, from various sources which has indicated to the Commission that perhaps some people have been thinking about what they would like for the President to do, in his next message. That is, recommend not the TNEC-type bipartisan commission, but something in the nature of a private commission from industry.

Senator McGEE. Would you say a nongovernmental commission?

Mr. MACINTYRE. Nongovernmental, but we don't know what the President is going to do about any suggestions that anyone would make to him to do that sort of thing.

So it would be quite a lot of speculation to indulge in that, but if you would care for me to, I would undertake to express a view on what I have as my view, and I know to be the view of at least one other Commissioner. I can't speak for the Commission.

Senator McGEE. I understand that respecting the FTC, this would be an unofficial point of view. You have had a great deal of experience. The reason I press this question is that this is one of the suggestions that I am told is being pressed, that it be a nongovernmental commission, an extragovernmental body made up of so-called experts in the field.

Senator YARBOROUGH. Wouldn't that be like putting the foxes to guard the henhouse?

Senator McGEE. That would be one of the criticisms some would suggest about it. I thought perhaps the Commissioner could frame the contrast between that kind of a commission, since it is being considered, or has been entertained until now, as one of the approaches. I think this record ought to contain this because it ties in directly then with what we ought to press for or recommend from this committee's hearings.

Mr. MACINTYRE. I repeat, we don't know, of course, what the President will suggest, but I reiterate what I have said: Some information has come to us that some people in perhaps the chainstore element of the food industry would like to see him suggest a bipartisan commission made up of representatives from their segment of the industry, at least, in large part.

Now I don't know what he is going to do about that, but if you were to want me to analyze a view as to some of the problems that would be involved in that sort of thing, I would undertake to do that.

Senator McGEE. Let's start with one problem that presents itself. Suppose you comment on the problem of staffing such a group. How would that problem relate to the similar problem that would face the FTC?

Mr. MACINTYRE. Of course, the difference there would be that such new agency would start from scratch. It would find it necessary to assemble a staff. The Federal Trade Commission, as I suggested

to you yesterday, has a staff, in which it could start immediately assigning to this and build week by week to that staff from its other assignments.

Senator McGEE. That is, you would have the trained personnel, at least, as your nucleus at the FTC?

Mr. MACINTYRE. Yes, sir.

Senator McGEE. The other group that we are speculating on, this hypothetical group of extragovernmental members, would have to either recruit from existing agencies or take the personnel from existing agencies with experience, or find them elsewhere.

In any case, as you suggest, it would consume a good bit of time, and staffing problems would not be the case if the FTC were to proceed.

Mr. MACINTYRE. I think that is correct.

Senator McGEE. What about the cost factor in comparing these two alternative approaches?

Mr. MACINTYRE. Well, again, that is quite speculative. I hardly know what to say about that. I can refer to the earlier investigation that was made by the Federal Trade Commission in this area. It was under Senate Resolution 224 of the 70th Congress.

That was a much larger investigation than apparently is contemplated by Senate Joint Resolution 71. The Commission, in its conduct of that particular investigation, made a large number of reports to the Congress over a period of years.

Its final report was made December 14, 1934, and it was printed as Senate Document No. 4 of the 74th Congress. I am informed that even though that was a larger investigation than is now contemplated, the total cost was about \$916,000.

Senator YARBOROUGH. How long did that investigation run? Pardon me, may I ask questions?

Senator McGEE. Yes, sir, indeed.

Mr. MACINTYRE. That was over 4 years in progress, and reports were submitted to the Senate over each of a number of those years with the final report coming in 1934.

Senator YARBOROUGH. Of course, if we had a 4-year investigation now, I fear that the family-type stock farm would be gone before the investigation ended, and a 4-year investigation would kill the people that are trying, or we are trying to get some relief for, here in this present decline in the price of beef on the hoof and the increase of the price in the market to the housewife.

Mr. MACINTYRE. Yes, sir, I would agree that expedition is needed. I believe the Federal Trade Commission is fully aware of that need. And, consequently, with what you contemplate, from what we understand you contemplate, at least, I believe the investigation you desire could be handled in a much shorter period of time than the older investigation, which was nationwide and quite extensive, and, as you know, did lead to quite a lot of new legislation within 2 years after that report.

Senator YARBOROUGH. I agree with you, Mr. MacIntyre. The more I have heard here, the stronger I am for Senator McGee's resolution, Senate Joint Resolution 71. I think this is the most expeditious way of getting the facts about these market prices after all of the different methods.

There might be different approaches. Senator Hart has a very able antimonopoly subcommittee of the Judiciary Committee which

might investigate it, but for the trained personnel already there, and enough to train other personnel, it seems to me the Federal Trade Commission is already, of all the different things we can consider, best equipped to start an expeditious investigation, the kind that is needed now if we are to protect this part of our agriculture economy.

And I mean protection in the sense of a fair deal. I don't mean some subsidy. I don't think the cattlemen want that. I know they don't want that. They want fair market practices.

Senator McGEE. The administration has made no official declaration of the cost estimate on the extragovernmental proposal, but we have been having informal conversations with some of those that are interested and the cost estimates that are being suggested run in the neighborhood of \$2 to \$3 million.

Now, these are estimates based on the nongovernmental proposal. And I would suppose that your real point is that, given the staff that you have to start with, however it may have to be thrashed out, you would have the ability to save money in achieving essentially the same goal.

Mr. MACINTYRE. We would trust that would be the case. The Chairman of the Commission and I discussed this last week as to what probably would be the budget requirements at the Federal Trade Commission for the type of study contemplated and the best we could come up with was an estimate. It is a very rough estimate of probably about \$1 million.

Senator McGEE. Would this, however, require the addition of an investigatory staff?

Mr. MACINTYRE. There would be some additional people required to carry forward the work.

Senator McGEE. Because of the scope of this investigation or because of the fact that the Commission is deeply committed at the present time in other investigations?

Mr. MACINTYRE. It is deeply committed to quite a number of other problems, but that doesn't mean that we couldn't pick up now with this because we could pull some people off of each of those and add some new people to each of those other tasks and some new people to this particular problem.

Senator McGEE. In your comments yesterday, you intimated that, in your judgment, it would take, at the very most, only weeks for the Commission to get on the road if it were to be the designated agency to undertake this study?

Mr. MACINTYRE. I believe it could undertake its work inside of weeks in a very few weeks.

Senator McGEE. This is properly within the scope of the FTC's reason for being?

Mr. MACINTYRE. Yes, sir. I would like to, if I may, refer back to the origin of the Commission's investigational work. As you know, when the Commission was created in 1914 all of the investigational powers were transferred to it from the old Bureau of Corporations and some additional powers were given it.

Up to that time, the Bureau of Corporations only investigated, and its work was that of conducting investigations, and, through those, to report and inform the Congress on what was needed in the way of legislation regarding commerce.

Well, the Commission picked up on that and did carry forward as an arm of the Congress in the conduct of many investigations down through the years, to one of which I have just made reference. Some of them led to very valuable legislation. One of those acts was the Packers and Stockyards Act of 1921.

The Commission, in the years of 1918 and 1919, did conduct a very thorough investigation of the meatpacking business. Unfortunately, some people didn't particularly find the recommendations for legislation made by the Commission to their liking. They were not very happy about it. Quite a controversy developed over the fact that the Commission had made those recommendations for legislation.

As a result, it was thought that perhaps the Commission shouldn't enforce the legislation so that was not given to the Federal Trade Commission. It was sent over to the Secretary of Agriculture to enforce, although the Commission had recommended that the legislation pass and the Commission be given jurisdiction over it.

But it is good legislation and it has been on the books for a long time. It deals, of course, with the meatpacking and the sale of livestock and was supposed to provide a yardstick on what is fair and what is unfair.

That was just one investigation the Commission conducted that led to legislation. It has been considered valuable.

One other was the large investigation of the public utilities, which led to the passage of the Securities Act of 1933, the Exchange Act of 1934, and the establishment of the Securities and Exchange Commission in 1934 and 1935, and some additional legislation now enforced by the Federal Power Commission.

I referred to this Senate document of 1934, which dealt with the chainstore practices and which, of course, was utilized by the Congress as information leading to the enactment of the Robinson-Patman Act by the Congress in 1936.

I could take up a lot of your time referring to a lot of other such important investigations and reports by the FTC advising the Congress on these matters, but I think that what I have said should be sufficient to answer your question.

Senator McGEE. Your rich background on this does, of course, constitute a sobering reminder to this committee that the FTC was created as an arm and instrument of the Congress to explore matters of this type.

Now, what brings this to the surface, it seems to me, is that there have been very rapid and significant changes in this whole picture, or in the vernacular, of at least one element of the local press.

A lot of dust has blown across the sails since the FTC was created and it is time that we take another look, for example, at the big packers that were scrutinized very carefully back in the early days of the Commission.

Now, in many ways, we are superseded by at least a handful of the big chains. The President reminded us in his message that some 140,000 small grocery stores, in the meantime, the neighborhood groceries, have gone out of business in recent years and the food chain is a phenomena replacing them.

The application of all of this, through vertical integration, direct buying and various other practices, have brought into the center of the

stage a purchasing capability that places even the big three in the old days of the packing industry, sometimes, at a second level in relation to the food chains.

So this fact of change requires this hard new look that we have been referring to.

Mr. MACINTYRE. The packers, themselves, have recognized that, as the committee is aware. Only a matter of about 3 or 4 years ago, a suit was brought by the packers to seek a modification of that 1920 consent decree which forbids the packers from going into the retailing of meat and other products. The packers found themselves in a less favorable position than they were in 1920 by virtue of these changes.

However, the court did not grant the relief that the packers sought because the court pointed out it was a consent judgment. The Justice Department, 3 or 4 years ago, wasn't willing to agree with the packers for modification and without an agreement on the part of all parties to the consent, a consent judgment can't be changed by the court.

So it leaves the packers, in that instance, in the same situation that they were when they went into court.

Senator YARBOROUGH. Mr. Chairman, may I ask a question?

Senator MCGEE. The Senator from Texas is recognized.

Senator YARBOROUGH. Mr. MacIntyre, the producers, the ranchers, formerly had what they call the war with the packers for a long time, charging packer monopoly.

Hasn't the situation so changed with the integration of activities by the chainstores and their purchasing power and their feedlot operations, that the packers are now endangered just like the producers?

The old, independent-type packer, who doesn't have retail outlets, finds himself endangered by this operation just as the rancher-producer does?

Mr. MACINTYRE. The packers alleged that when they sought a modification of this decree in Chicago some 3 or 4 years ago. They alleged that.

Senator YARBOROUGH. They no longer have the dominant position they once had?

Mr. MACINTYRE. That was their claim in that suit.

Senator MCGEE. You have mentioned in analyzing the FTC approach, and extra governmental body approach, that the latter would take more time and there would be delay in getting it started; that, in your judgment, there would be greater costs in the latter's conducting such a study.

You allude to one of the savings, for example, in favor of the FTC, the matter of at least a hard core staff and a nucleus of staff leadership.

It occurs to me, in reflecting on that, that in whatever staff that you had to fill out that there might be some advantage in offering a new young investigator joining the staff for the purposes of this investigation, the prospect of some future career opportunity that would not be available to the same individual if he were to be taken on in an investigation role by a nongovernmental or extra governmental body.

Thus, I would think, it would redound to the advantage of Commission capabilities in recruiting a higher caliber personnel to the extent that extra recruitment became necessary.

Mr. MACINTYRE. That has occurred in each of the instances where the Commission undertook these large jobs in the past. The public utilities investigation is quite an example of that.

It amassed, in addition to its own staff of very competent accountants, several very well known accountants who did remain with the Government after that. Some went with the Federal Trade Commission and some went over to the SEC and the Power Commission and are now reaching retirement. But they have rendered a great public service down through the years.

Senator McGEE. What about the powers, let's say, of the Federal Trade Commission in an investigatory role in comparison with an extra governmental body? Is there any difference in powers and the investigations that they might have?

Mr. MCINTYRE. Of course, any new body would have only such powers as the Congress would vote such body. The Federal Trade Commission, as of now, has wide powers for investigation.

It has some powers that even the Congress does not, as a rule, vote its committees, its investigating committees. For example, it has the power to compel testimony without the right to plead the fifth amendment.

Of course, in using that power, it must consider whether or not it is willing to immunize, as provided in section 9 of the Federal Trade Commission Act, a person from prosecution of any matter about which he would be asked to testify.

And that, Mr. Chairman and members of the committee, is quite an important thing to the Federal Trade Commission.

It is very careful about the exercise of that power. It is in constant contact with the Department of Justice, through its liaison, for the purpose of determining whether there is any likelihood of a person and who is going to be called on in a situation of that kind.

If so, of course, we just wouldn't call the person. We wouldn't subject him to the question and immunize him.

This is a very important power. It is a power that ought to be sparingly and carefully used, and I assure you that is the way the Federal Trade Commission is using it and has been using it for 50 years.

Senator McGEE. Are you saying, Mr. Commissioner, that if we had an extragovernmental body, and on that body we had members of the industry sitting, that it would be within their authority to grant immunity to their colleagues in the trade, thus making them less productive in what they might contribute to the services of that commission?

Mr. MACINTYRE. Of course, I can't foresee the future in that regard, but I would say if you did have a private commission made up of people from the industry, with the powers that the Federal Trade Commission has, and has had over 50 years, that could happen.

That is, the members of the Commission could immunize other people from the trade. I don't know what would happen. I just can't foresee.

Senator YARBOROUGH. Mr. Chairman, I think in the final disposition of this matter when we do come to it, that this 50 years of experience that the Federal Trade Commission has had in the exercise of these investigatory powers, would have great weight with this committee

and with the Congress on deciding what body should be invested with the power to look into this matter.

Senator McGEE. This would not rule out, I assume, from the Commissioner's testimony yesterday, his personal judgment, that the FTC would not take a dim view of an TNEC type of commission, which would be quite distinct in its composition and its procedure from an extragovernmental body such as we have been speculating about?

Mr. MACINTYRE. As I repeated this morning, the Commission, in its consideration of the President's message of January 31, didn't consider that the President had ruled out that sort of thing. The Commission, in its consideration of the matter, did conclude that it could support that sort of a proposal, if, for some reason, the President did not desire the Federal Trade Commission to handle this matter.

Senator McGEE. The nongovernmental body or extragovernmental body would conceivably be open to a conflict of interest in its exercise of judgment. The Senator from Texas has referred to the analogy of having the foxes guard the henhouse.

Mr. MACINTYRE. I think that you have now come to a point that is far more important than the matter of the use of powers. It is difficult for me to conceive how one coming in from a private segment of an industry could sit on a body to investigate that segment of that industry and particularly, perhaps, the firm that he came from, without that person being in a conflict of interest.

Now the Federal law provides that it is in violation of law for him to act in that regard. Of course, Congress can change that law by writing into it a resolution that even though a conflict of interest in fact exists, such conflict of interest in fact shall not be construed a violation of Federal law.

It is within the power of Congress to do that and thereby immunize those people from an application of the Criminal Code on the conflict of interest.

But it is a very serious matter and something that I think would deserve the very careful consideration of the Congress and the President if and when any such proposal were being considered.

In that regard, I would like to point out that in the Federal Trade Commission Act, there is the provision that trade secrets which come to our attention through the use of these broad investigatory powers that we have, are to be divulged by us only in certain classes, and in certain classes, we are, by law, not empowered to divulge.

Well, of course, I would assume that would be true of any other body, but, a body from an industry need not divulge to the public, if it is being divulged to each other.

A member of the commission could, say, coming from firm X, look at the cost figures and the trade secrets, and the names of the customers of his competing firm and, of course, he wouldn't forget all he learned about those things when he returned to firm X the next week after he left the new commission.

So, there is a problem in that regard.

In other words, a conflict of interest, in fact, could be present even though you, in your wisdom, should decide that you are not going to make it a conflict of interest in violation of law.

Senator McGEE. It assumes this would go on and that the elected representatives of the people, the Congress, recognizing while there is

always a fine line that needs to be drawn in terms of whose interest lies where, nonetheless, would have some commission to act in the public interest, and would recognize that the FTC was created as an arm of the Congress with the same target in mind, the public interest, and that the combination of these two factors could not likely be matched in a nongovernmental body.

Mr. MACINTYRE. I wouldn't want to say it couldn't be done. I just don't foresee how it could be.

Senator MCGEE. I said, "Likely." I left room for the odds to be made there.

What about the problems attendant to this kind of an investigation? Do the charges that have been made to this committee, with which the Commissioner is familiar, lend themselves to easy determination or ready proof? Are these practices the kind that records are kept on which could be subpoenaed and that sort of thing?

I am speaking now of direct buying and the matter of regional collaboration and fixing of prices, the question of vertical integration and contract buying.

Mr. MACINTYRE. I don't think a determination could be made regarding such problems on the basis of any particular piece of evidence or of any particular kind of evidence.

I think one, in making a judgment on one of those problems, would need evidence from all sources touching all facets of the problem in order to evaluate and weigh the different factors and may be, in some instances, countervailing factors.

Senator MCGEE. In view of your experience, Mr. Commissioner, if the FTC, or a group like it, were to get underway in a matter of days or weeks, could you hazard a guess as to when it would be possible to begin to make preliminary estimates or reports about the situation?

Mr. MACINTYRE. On the broad question, I wouldn't want to hazard a guess on it. However, if the Congress cared to direct interim reports, and particularly one of the interim reports, say, directed and addressed to the marketing of meat, which I understand you are quite interested in, I think that in a matter of months, an investigation could be made and a report made on that particular facet of this problem.

Senator MCGEE. The thought being, on that phase, that this is like using carbon 13, as I understand it in the medical sense, when you can take one product or take one item and trace it through the system, in order to gain a determination of what the practices may be, what the consequences may be for various levels in the economy. I suppose to that extent, no matter what other decisions might ultimately be made, even that much of an investigation or a study would be very helpful.

Mr. MACINTYRE. That was what I was attempting to say, that is, an interim report, perhaps, on meat and livestock could be made to you without waiting for a final report. I do think that this problem is so vast, that you couldn't expect it to be completed in its entire scope and a complete and final report made on it within a year or a year and a half. We could do a real job such as Congress would need for adequate information in determining what legislation, if any, is needed.

Senator YARBOROUGH. But an interim report could give us a great deal of information that might be of immediate help to the people who own the more than 100 million head of livestock on the ranges.

Mr. MACINTYRE. Yes, sir, I think interim reports could be made. That was done in this early chainstore investigation. There were quite a number of those over a period of 2 or 3 years in which the Commission was involved and before its final report was rendered.

Senator MCGEE. The Senator from Kentucky is recognized.

Senator MORTON. Right along this same point, you spoke of the breadth of the resolution that was passed in the 70th Congress which led to these reports to which you refer. This Senate Joint Resolution 71, is quite broad, is it not?

Mr. MACINTYRE. Yes, sir.

Senator MORTON. In the letter from Chairman Dixon, which you referred to yesterday, you recommended certain changes and he says, on the second paragraph, paragraph 2, with these changes, subsection (a) of section 1 of Senate Joint Resolution 71 would read:

Conduct a full and complete investigation of the purchasing, processing, marketing, and pricing practices of chainstore operators and their suppliers as such practices affect commerce.

That is pretty broad. It is comparable to it in breadth, is it not, to the resolution of the 70th Congress.

Mr. MACINTYRE. Yes, sir; I should point out, however, that resolution in the 70th Congress required a study of nonfood chains as well as food chains, in other words, the drug chains, the limited price variety stores, and a good many other chainstore organizations which I do not understand that Senate Joint Resolution 71 would require us to take into account.

Senator MORTON. This is just what I wanted to get it, because I want to talk about Senate Joint Resolution 71, and I don't want to criticize or comment on the President's recommendations for an independent Commission, because I would want to wait until I see the President's message on this. So I am not going to engage in speculation on what it may or may not contain. But in Senate Joint Resolution 71, as written and as the amendments are suggested by the Commission, I see nothing that limits it to food chains. It seems to me that, as written, the resolution would cover anything—Western Auto, Peoples Drug, and the like. Perhaps that is not the intent of the resolution, but I think we would have to straighten that out either in legislative history or by amendment.

Mr. MACINTYRE. Yes, sir; I would agree. However, the Commission understood the intent to be that of an investigation of food chains.

Senator MORTON. I would like to inquire of the author if—is that the intent to confine it to food chains?

Senator MCGEE. The intent, initially, was to limit it to the food chains or the combinations of group purchasing operations that relate to the marketing of food.

Senator MORTON. The President's message says, "voluntary cooperative and corporate chains." Would you construe this, Mr. Commissioner, as applying to those three, all types of food chains?

Mr. MACINTYRE. I understood that the President's message would be concerned with all types of food retailing, whether it be through the chains of one type or another.

Senator MORTON. What do you construe the Commission's authority presently without any resolution to investigate food chainstores and meat prices?

Mr. MACINTYRE. Well, under the provisions in 6 (a), (b), (d), and (e) of the Federal Trade Commission Act as well as section 5 of the Federal Trade Commission Act, it is authorized by the Congress to conduct investigations of corporations from time to time for the purpose of determining whether or not their practices are in accord with law. And for the purpose of determining whether there is need for new legislation. However, as Chairman Dixon pointed out in his letter of April 9 to Senator McGee, to commit the amount of money that would be necessary to be committed to this particular study at this time, the Commission just didn't feel that it was in a position to do that, without some expression from the Congress that it should do it.

Senator MORTON. I see. Now, what is the status of this economic study of food marketing which the Commission, I think, started in 1958 and you filed a report in January of 1960 called "Concentration and Integration in Retailing." Is this wound up now?

Mr. MACINTYRE. Not completely, there have been two reports made on this and some work being carried forward on a third report. I would like for our chief economist, who has supervision of that, to make a comment as to the present status.

Mr. MUELLER. This, as you indicated, the Commission in 1958 passed a resolution directing an inquiry into food marketing. The initial report dealt with broad patterns of concentration and integration in food retailing. The second report dealt with the frozen food and vegetable industry, and the current study deals with the food and vegetable canning industry. The budget allocated to these reports has been a fairly modest one. This past year, we have our total of approximately \$250,000 in economic reports, about \$40,000 allocated to our food inquiry. We are carrying on a number of other studies at the direction of the Commission which has prevented us from doing more in food.

Senator MORTON. This would not then duplicate, but would rather complement and supplement that work?

Mr. MUELLER. Yes, sir; we feel that we have a substantial foundation on which to build.

Senator MORTON. On the report which you issued in January of 1960, page 35, it states:

The modern food marketing system reflects impact of both the technological and human factors. In its greatly increased efficiency and its steady flow of foods to consumer markets, it seems to be meeting the needs of a population which is highly mobile and which, as it becomes more urbanized, is more completely dependent on the marketing system.

On page 7, it points out something that might be pertinent to the matter before us.

Total reported shipments of chain-owned establishments covering nearly all food products were \$1,069 million in 1954 and \$1,295 million in 1958. This represented a drop of from 10.4 to 8.4 percent of the total merchandise procured by reporting chains, so that the average degree of integration may be said to have declined.

Now, if we make it clear, under this resolution, what we are attempting to do specifically, confine it to food chains and specifically confine it to meat and meat products, then we can see if this decline in the percentage of integrated products that ultimately go across the counter

in the chainstores prevails in meat as well. I have no idea and I don't suppose anyone has until we make that investigation, but Senator Yarborough is pointing out that the packers find themselves in the position somewhat similar to what the producer found himself in some 20, 30 years ago.

But, it is a fact that in meat packing, six chains, retail food chains, owned packing plants in 1962, and only five owned plants in 1963. So this is at least an absolute decline in that particular business and it is interesting to note that only 3 of the 5 companies that own meat-packing plants are large enough to be included in the top 20 chains in the country.

In other words, there are 5 chains now with their own packinghouse operations, but only 3 of those 5 are big enough to be in the top 20 chains.

I think, Mr. Chairman, that either in the legislative history or perhaps in the substance of the resolution, we might clarify this matter so that the Commission will have a set of priority guidelines. It might be well to narrow the resolution to those who have a substantial impact on the food market. I don't think we want to get at this time the Commission going down the road of Western Auto Supply, let's say, because that is not our concern now.

Senator McGEE. I agree with the Senator on that suggestion. May I ask the Commissioner, in terms of the integrated activities of the food chains, is it possible for them to achieve the purchasing power or the bargaining power of integration without actually integrating such as through contract buying or contract integration?

Mr. MACINTYRE. Well, I don't have sufficient evidence before me, neither have I had it before me, on which I could draw for a definite conclusion and position in answer to your question. I, however, have had brought to my attention information with respect to which finding, on that very point, have been made by a House committee. I could cite that to you, if it would provide you with desired information.

Senator McGEE. Mr. Commissioner, it would be helpful to this committee, on these points that the members of our committee have raised, if you would be willing to supply for the record of this hearing the pertinent page references from the House study in which you were general counsel. That might be helpful in our study of that record and in addressing ourselves to these questions.

Mr. MACINTYRE. I would undertake to do that, but it would not be an expression of my personal or individual views or those of the Federal Trade Commission.

Senator McGEE. No, this would be in regard to its revealing the findings in the House study rather than reflecting your personal view or that of the Commission. The committee would understand that, and I think it might be a real contributing factor.

Mr. MACINTYRE. I could do that, if you desire it and request it.

Senator McGEE. I have no more questions at this time, Mr. Chairman. We are being summoned inside for 3 minutes for an executive committee session of the Commerce Committee. I would like to call for a seventh-inning stretch here for approximately 3 minutes, after which we will immediately turn to testimony from Mr. Courtenay Davis.

The committee will recess for 3 minutes.
(The information requested follows:)

FEDERAL TRADE COMMISSION,
Washington, D.C., March 24, 1964.

HON. GALE W. MCGEE,

Acting Chairman of Hearings on Senate Joint Resolution 71, Committee on Commerce, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to the oral request you made on the record of the hearings this morning for me to submit to you references to a number of findings appearing in House Report 2234 of the 86th Congress. As I noted in the course of my testimony in your hearings this morning, House Report 2234 of the 86th Congress is a report by the Select Committee on Small Business of the House of Representatives on "Small Business Problems in Food Distribution."

It is my understanding that the references you wished were to findings regarding—

(1) The nature and extent of concentration in the food purchasing and sale of food products by food retailers, and

(2) Bid and acceptance practices of chainstore organizations in regard to the purchasing of meat and the possible coercive effect of the practice on the suppliers of meats.

There is no finding in House Report 2234 of the 86th Congress to the effect that the concentration in the hands of food retailers relative to the sale of food at retail is very high when considered for the Nation as a whole. But according to the findings in that report, the degree of concentration in the hands of a small number of food retailers in particular areas was quite substantial, and as pointed out on pages 33 and 34, that percentage was as high as 86 percent for four food chains in Denver, Colo., 75 percent for two food chains in Little Rock, Ark., 81 percent held by four food chains in Youngstown, Ohio, 83 percent held by three food chains in Raleigh, N.C., and heavy concentrations in each of a number of other such areas.

With reference to the concentration of purchasing of food products held by food retailers, the House committee found, on page 9 of the mentioned report, that the concentration was substantial in the buying of canned fruits and vegetables. At that place in the House report to which I have made reference, for example, it was set forth that 11 representatives of the food retailing organizations representing retail sales of between \$14 and \$15 billion dollars annually in 1958 (page 12) were purchasing approximately 80 percent of the output of California canned fruits and vegetables. At that time California accounted for more than 50 percent of the national output of such merchandise.

With reference to the concentration in the purchasing of beef and other meat products, the House committee in the mentioned report, at pages 40-49, found that a large and increasing percentage of the total slaughter of cattle in the Denver, Colo., area was accounted for in the purchases by quite a small number of representatives of food retailing organizations. Moreover, the House committee found that these purchases were not being made through the livestock markets where competitive bidding determined prices on the basis of the impact of supply and demand factors. The House committee pointed out that on the contrary, a large percentage of all of the cattle being bought by representatives of the food retailing organizations were being bought on a negotiated contract basis at country points where competitive bidding was absent and its effect, therefore, not reflected in the prices determined through negotiations. These circumstances gave rise to a large volume of complaints which were considered by the House committee. The complaints alleged that the conditions and practices in question had the effect of eliminating competitive bidding by these buyers in the purchase of livestock with the result of driving down the prices paid for cattle in relation to the prices for which the meat products were being sold to consumers through retail establishments. In this connection, the House committee found, at pages 20-22, that for the 4-year period of 1956-59, while the prices for livestock had steadily decreased, the retail prices of lamb, beef, and pork had risen and, therefore, while consumers were paying higher prices, the producers were receiving a lower share of the consumer's dollar. This was dramatically pointed out by the House committee at page 18, where the committee stated that in 1947 the farmers had received 51 cents of the consumer's dollar but this share had dropped to 40 cents by 1958.

In regard to the bid and acceptance practice, the House committee in House Report 2234, 86th Congress, at pages 85-86, referred to testimony and other evidence it had taken on that subject. Material appearing on pages 85-86 relating to that subject is quoted as follows:

"A representative of Safeway Stores in his testimony acknowledged that the firm's meat buying department office in Denver buys on what has come to be known as an offer and acceptance basis. He stated that one of the essential characteristics of that method of buying is that it is left up to the supplier to make an offer to Safeway at which the supplier would be willing to sell. Safeway's testimony on that point was supplemented as follows:

"Suppliers wishing to offer meats contact our offices each day to submit their offerings. These offerings are recorded on an offering form. The offering form calls for the supplier's name and location, date of offering, date delivery can be made, quantity offered, weight range, and supplier's offering price.

"Requirements for meat products are given to the buying office daily by the retail department from retail market orders and warehouse supplies.

"Selections of what suppliers offerings to accept and how much of each, are made by the manager on the basis of quantity, quality, weight range, the supplier's price and ability to make delivery when required. All offerings are accepted or rejected on their own merits as related to our requirements and competitive offerings. After offerings are selected, the orders are placed with suppliers by telephone, giving the supplier's date of delivery and a purchase order number.

"After the order is placed with a supplier verbally, it is confirmed in writing. The supplier's copy of the purchase order is mailed the same day to insure its receipt before date of delivery.

"I want to say that all purchases are made on the basis of prices offered by the suppliers. The supplier quotes the prices in all cases. The meat we purchase is the property of our suppliers and it is the supplier who puts the price on it, not Safeway."

"At record pages 1168-1169 references are made to testimony which was received in the case of *United States of America v. Swift & Co.* in case No. 58 C 613, in the U.S. District Court for the Northern District of Illinois, Eastern Division, during October 1959. Those proceedings had to do with petitions by Swift & Co., Armour, and Cudahy, that the court modify a consent decree which had been entered in 1920 prohibiting the large packers from engaging in the retail distribution of food. The petitions of the big packers which were being held in proceedings in Chicago, Ill., October 1959, were from a notification of that consent decree so as to permit the large packers to reenter the field of retail food distribution. In that connection, the large packers were arguing that since the large retailers were engaging in meatpacking, the large meatpackers should not be prohibited from engaging in retail food distribution. In the course of the testimony taken from representatives of the large packers in those proceedings, it was made clear that the large chain food retailers who were not engaged in meatpacking, buy on a direct consolidated billing basis from the large packers, and at negotiated prices."

The member of your staff who called me indicated that references to these particular subjects were the references you wished. I trust they are found to be acceptable by you.

Sincerely,

EVERETTE MACINTYRE, *Commissioner.*

(Recess)

Senator McGEE. Mr. Davis, will you come forward, please.

STATEMENT OF COURTENAY DAVIS, RANCHER, HORSE CREEK, WYO.

Senator McGEE. The witness is Mr. Courtenay Davis, from Horse Creek, Wyo. I thought a cow man would come from Cow Creek. We have Cow Creek over by Saratoga, Wyo.

Mr. DAVIS. Right. And we have other Horse Creeks in the country, too.

Mr. Chairman, my name is Courtenay C. Davis. My business is operating the Y Cross Ranch at Horse Creek, Wyo. This ranch produces feeder cattle. I have asked to appear before this committee to urge the immediate and favorable consideration of Senate Joint Resolution 71 as the most effective remedy available to correct certain abuses which seriously affect the livestock industry today.

Consumers of beef should be concerned—and irate. Cattle feeders are in serious trouble. Cattle producers are next in line and in 1964 are likely to receive the lowest prices paid for range cattle in years. Meatpackers are being squeezed by persistent price pressure from the concentrated buying power now in the hands of the dominant food chains—while food chain profits over all are the greatest in history.

Retail meat prices are out of line with live cattle prices. Right here in Washington, retail prices last week were as high or higher than they were 2 years ago despite the fact that feed cattle prices are the lowest in 20 years.

The situation facing livestock producers and feeders is not an ordinary or cyclical cattle depression. The fact is alarmingly clear that cattle producers and feeders who have no tie-in with packers or food chains no longer can rely on the law of supply and demand to correct price inequities in their markets. The food chains with their ownership and control of the retail outlets now set their own retail meat prices to the consumers and the price to be paid the livestock producer as well.

This fact is graphically stated in the accompanying chart, appendix No. 1, as published in U.S. News & World Report of March 16, 1964, from USDA source material. The margin between prices paid to the feeder for choice fed cattle and the price paid by the consumer at retail has widened every year for the last 16 years except during the Korean crises, regardless of so-called excess meat production and exports. This is regardless of it. In 1953 the feeder received 64 cents of the consumer's dollar spent on beef but in 1963 received only 56 cents. According to USDA sources, food chains have added approximately 1 cent per year each year cumulatively to their margins during these last 10 years while packers have improved their position only slightly. The growing national taste for beef has been to the profit of the food chains and at the expense of the producer and the consumer.

This decline in returns to the cattle feeder are reflected in the price the feeder is able to pay the producer for feeder cattle replacements in his feedlot. There is a close parallel between feeder cattle prices, see appendix 2, and the decline in value in fat cattle over the last 2 years. Similarly, the feed grain producer, within the limits of the feed grain program, is likely to feel the increasing price pressure on the cattle feeder.

Senator MCGEE. Incidentally, if I may interrupt there, Mr. Davis, I will ask that the appended charts to your statement be included in the record.

Mr. DAVIS. Thank you, sir.

Many livestock producers believe that this constantly increasing spread in farm-retail margins indicates that powerful new economic forces are at work in the livestock industry and that these forces have disrupted the livestock marketing patterns and relationships which determined prices in the past. The situation confronting the cattleman today is similar in some respects to the situation existing almost 50 years ago when the beef trust was in complete control of the livestock industry. That condition resulted in the passage of the Packers and Stockyards Act and the famous consent decree outlawing certain practices of the big four packers.

Many producers believe that food chains are wielding the same kind of economic power proscribed by the 1920 decree. Until Congress or the appropriate agency investigates this situation, enforces the law where the law is found to be violated, and enacts new legislation to correct any inadequacies in existing statutes, cattlemen will be under pressure to supply meat without regard for cost of production and the consequent erosion of their assets. It appears long past due for all segments of the meat-producing team to live and prosper within the framework of a free and competitive market, free of the unconscionable domination of one member of that team. That member, the food chains, have assumed vast economic powers approaching that of a quasi-public utility and as such, should, like Caesar's wife, be above suspicion.

There is abundant evidence that food chain domination of the food industry, and particularly the beef industry, casts a reasonable doubt that their buying and merchandising practices are in the public interest. Just 2 years ago in New York City, the meat buyer of a large national chain told me that he bought about 25 percent of all meat sold at retail in the metropolitan area and that he bought about 30 percent when his company put on a special. It is obvious what can happen in this market area of approximately 15 million people—and the New York meat trade profoundly affects the national market—if this buyer decides to switch his interest from beef to any competing meat. He can shut off or turn on the demand for beef, pork, or poultry by advertising whichever product he elects to promote or depress and has the ability to forestall any inclination on the part of the market to respond to normal supply considerations.

We in the West are particularly aware of the trend of some chains to integrate their operations. In the Denver trade area alone, three large national chains operate packinghouses and supply part of their needs through their own feedlots or contractual arrangements with feeders. Another large national chain achieves the same effect through the operation of a meat-processing center. These operations, while not involving a substantial share of the total livestock population, do give these chains a demonstrable ability to conduct their operations independent of the market. It is difficult to see how an open and competitive market can function when food chains are on both sides of the supply and demand equation.

Our responsibility as producers is to take an ever-better product to the marketplace. The producer is a businessman in every sense of the word. He understands and accepts the risks inherent in his business which is so vitally affected by weather and the countless variables of an agricultural enterprise. The No. 1 concern of livestock producers is for honest, competitive markets. Our fear is that the price of cattle, because of enormous economic power concentrated in few hands, will be forced to ever-lower levels by administered prices.

We are certain that this committee appreciates the plight of the livestock producer and is concerned with the widening effect his demise will have on the rest of the economy. We are not looking for any easy solutions to a difficult problem but we believe that there is now sufficient reason for pursuing, diligently, the course suggested by Senate Joint Resolution 71. The mandate of Congress, originally expressed in the enabling legislation which brought the FTC and the P&S Division into being should be reaffirmed promptly and a strong direction should be given to the responsible agencies to determine whether or not those areas which concern us are properly of concern to the national interest.

Thank you.

(Appendixes 1 and 2 follow:)

APPENDIX I

[From the U.S. News & World Report, Mar. 16, 1964]

THE MYSTERY OF RISING FOOD PRICES

The puzzle of rising prices in the grocery and falling prices on the farm once more is troubling politicians. Facts and figures tell what it's all about.

Mystery continues to surround the price that housewives pay for the food that goes on American tables.

The cost of food in stores keeps inching up, bit by bit.

At the same time, the prices farmers get for many kinds of food they produce keep slipping lower and lower.

The result is some irritation in the cities over high food prices and rising resentment in the countryside over low farm prices.

Congress, at the moment, is trying to hammer out a new plan for controlling output of wheat and supporting the price farmers get for that crop.

Warnings are sounded that, if Congress fails to pass the wheat plan, there will be a bad price break in the months just before this year's election.

At the same time, cattlemen are clamoring for a firm limit on imports of beef from abroad. Thousands gathered at protest meetings in Omaha, Nebr., and in Shenandoah, Iowa, early in March.

An amendment to the farm bill that would have put a quota on beef imports missed approval by only two votes in the Senate on March 5.

Cattle prices have nosedived in the past year. Cattlemen fear that disaster lies ahead unless more is done to check beef imports, which have more than doubled in the past 3 years.

The farm problem, in other words, is back again in an election year.

Charts and tables on these pages help to explain what the shouting is about.

At the store: A market basket of groceries that cost the housewife \$10 in 1947 rose in price to \$11.83 in 1963—an increase of nearly one-fifth.

The farmer, however, got 15.6 percent less in 1963 than in 1947 as his share of the market basket's cost.

Accompanying charts show that, while the prices of cattle on the hoof and wheat in the kernel have trended downward, the trend in price to the housewife for beef and bakery products has been upward.

Actually, in terms of the percentage of the average family's income that goes for food, Americans today are eating for less than ever before.

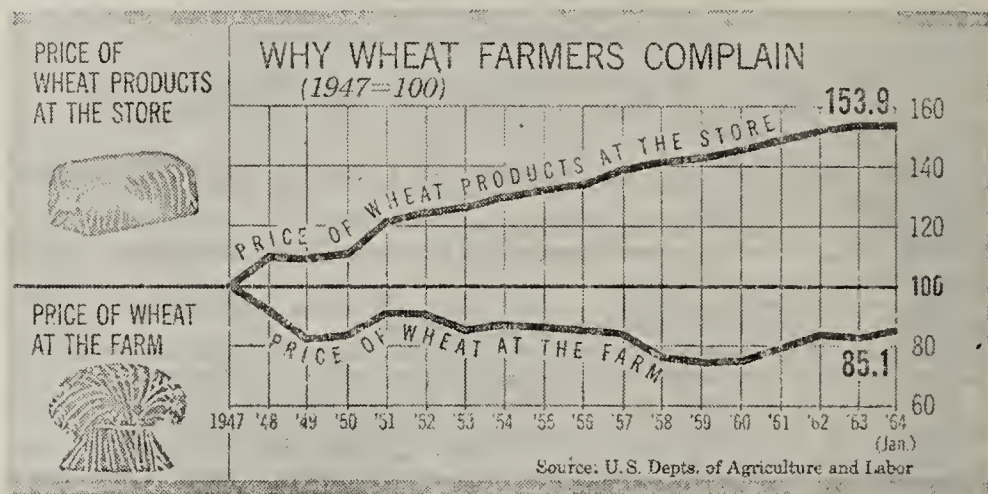
What farmers resent is that, while their product gets a smaller percentage of the city man's income, they are not sharing in the city man's constantly rising prosperity.

To take the edge off the farmer's resentment, President Johnson is trying to push the farm bill to approval by Congress before spring planting time. To bolster beef prices Mr. Johnson has ordered a Government buying program.

How the farmer got left behind

	Change since 1947 in—	
	Price paid by the housewife	Price received by the farmer
Lamb roast, Choice.....	Up 24.4 percent...	Down 16.5 percent.
Pork, retail cuts.....	Down 11.2 percent...	Down 37.9 percent.
Beef, Choice.....	Up 26.0 percent...	Down 13.8 percent.
Bottle of milk.....	Up 27.5 percent...	Up 0.9 percent.
Eggs.....	Down 26.7 percent...	Down 36.3 percent.
White bread.....	Up 63.6 percent...	Down 26.2 percent.
Corn flakes.....	Up 67.1 percent...	Down 41.9 percent.
Potatoes.....	Up 28.9 percent...	Down 44.7 percent.
Salad dressing.....	Up 5.2 percent...	Down 43.1 percent.

Source: U.S. Department of Agriculture.



U. S. News & World Report

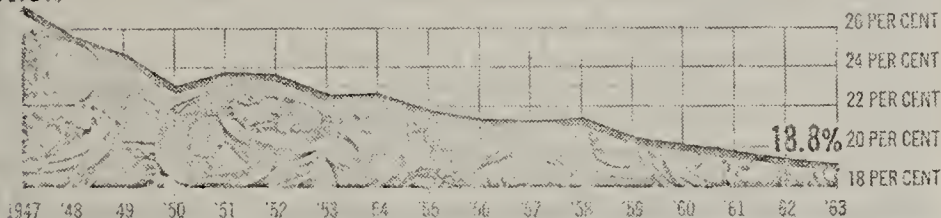
FOR A MARKET BASKET OF GROCERIES....

The housewife paid—**UP 18.3 PER CENT***The farmer got, for the same groceries—***DOWN 15.6 PER CENT**

Basic data: U.S. Dept. of Agriculture

COST OF FOOD: A DIMINISHING SHARE OF THE FAMILY BUDGET

26.9%

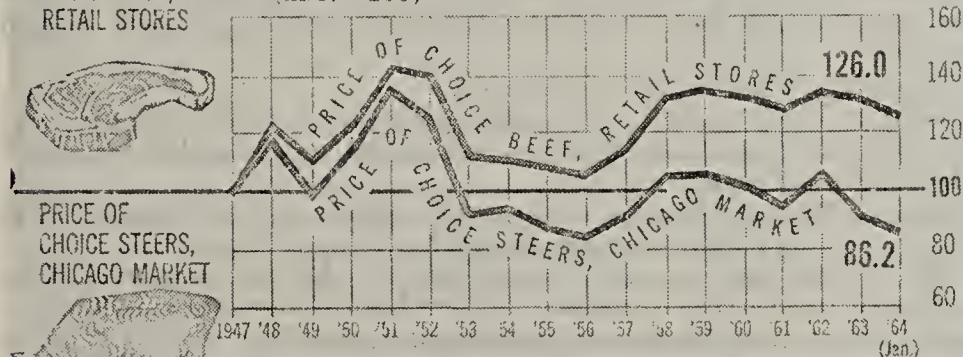
Percentage of people's after-tax income spent for food

Source: U.S. Dept. of Commerce

PRICE OF CHOICE BEEF, RETAIL STORES

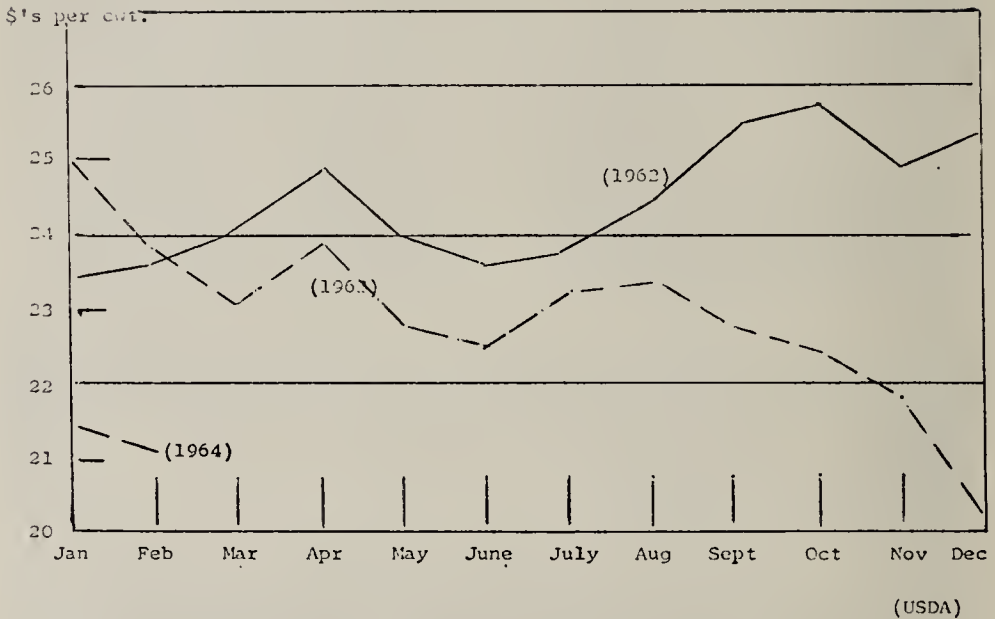
WHY CATTLE FARMERS COMPLAIN

(1947=100)



Source: U.S. Dept. of Agriculture

APPENDIX 2
AVERAGE COST OF FEEDER STEERS - 10 MARKETS - 1962-1964



Senator McGEE. Mr. Davis, your suggestion is that because of the record, particularly in the area in which you do your marketing and in which you have had your experience, there lies, in your judgment, an answer to the question we have been raising here; that is, who repealed the laws of supply and demand in the marketing of beef? The answer is, in your judgment, the food chains and their related groups?

Mr. DAVIS. That is correct, Senator.

Senator McGEE. And your experience stems from specific cases involving your own participation as a stockman in the Denver area?

Mr. DAVIS. Yes, sir.

Senator McGEE. Has the drop in the cattle market had any effect on your own payroll; for example, on the Y Cross Ranch?

Mr. DAVIS. Yes, sir; and in addition to that, of course, we are faced with a cost-price squeeze. Everything that we buy is advancing in price and at the same time, the product which we sell is going down in price.

Senator McGEE. How much of an impact has this declining or depressed livestock price had on your payroll? I don't want you to reveal any trade secrets. I will not pass them along, not being in the cattle business myself. Are you at liberty to give us any reading on the kind of impact this has had?

Mr. DAVIS. I think that would be difficult to state. I can put it this way, that very few ranchers are putting on additional help, in fact, in many cases, they are cutting down on their help and, in addition, are cutting down on their purchases of manufactured goods which are needed, such as trucks and cars and agriculture machinery.

Senator McGEE. What about the local merchants then in your area, the implement dealers and the truck dealers—

Mr. DAVIS. They are bound to be affected, Mr. Chairman. In addition to that, the condition will grow increasingly worse as it affects them, as this price continues down. I would like to refer you to the chart on feeder cattle prices. That is the No. 2 exhibit here.

Senator McGEE. Is it the last page?

Mr. DAVIS. That is the last page in this presentation. Now, you will notice here in 1962 we were receiving a fair price for our product, which is feeder cattle. In 1963, our curve starts down, if you will look at your chart. It follows the fed cattle prices. Now when you get to 1964, of course, we only have a couple of months here showing that, but there too, you are getting down below the cost of production. So that our fate financially is tied up with the fat cattle market, and when there is domination in the fat cattle market by any segment we in turn are sort of like the young people skating when they crack the whip. We are the last man in line, and we get the crack eventually and take the real fall and it is a prat fall.

Senator McGEE. Off the record.

(Discussion off the record.)

Senator McGEE. What you have said to us then is that your real complaint here today is in the role as a cattleman who has not yet received the total brunt of this fall, but you have experienced it in the feedlots with which you have had to deal?

Mr. DAVIS. Yes, sir, that is correct. I would also like to bring up in connection with the first chart, if you will direct your attention to that on the second sheet, that is the U.S. News & World Report chart—

Senator McGEE. Why cattle farmers complain?

Mr. DAVIS. Yes, sir. That is with reference to the year 1947 taken as 100, but you will notice that the increase in spread between the Choice beef price in retail stores and the Choice steer price is constantly widened irrespective of supplies or inputs. That is going down, as I stated in my statement, about 1 cent a year or 1 percent, if you wish to put it that way. That is cumulative. It is continuing. We are constantly getting lower and lower on the totem pole here. Should this continue for another 10 years, if this problem is not met by the Congress, and some relief afforded, another 10 years would put us down far below the cost of production, which goes back to what we were discussing a moment ago; namely, that we have not felt the full impact of what is to come in the range cattle country; nor have our people in the rural communities who are dependent upon us, the small merchants and so forth.

Senator McGEE. We have heard a great deal here in the Congress during the past few weeks about the importance of import quotas in order to save the cattle market in our country. Would that bail us out?

Mr. DAVIS. Not in my opinion, Mr. Chairman. I think it is a factor, yes, but this factor of the constant widening spread is an even greater factor in my judgment.

Senator McGEE. What about the matter of overproduction? As you know, whenever the cattle prices are up at a reasonably good level, a lot more people seem to go into the cattle business and I suspect that contributes to a much greater supply and the consequences surely would be a depression of cattle prices.

Mr. DAVIS. That is probably true, but I think everyone has a right to go into any business in this country and we still have a free enterprise system and I think that we are bound by that and I am happy to say that we can. But that doesn't get away from the fact that this spread continues to widen irrespective of supply, if you will look at this chart.

Senator McGEE. In other words, as a cattleman, you say you are willing to take your good years with your bad years, in terms of the uncertainties. You are not looking for a fixed market or a guaranteed good price year after year.

Mr. DAVIS. Mr. Chairman, I think all we are entitled to under a free enterprise system is an honest market which has no restraints placed in it.

Senator McGEE. And in your judgment, the buying power of some of the big food chains or of buying groups, whichever the case may be, has an artificial impact on the market?

Mr. DAVIS. Yes, sir, that is my judgment.

Senator McGEE. Rather than the free market influence.

Mr. DAVIS. Yes, sir.

Senator McGEE. Would the Senator from Texas care to raise any questions?

Senator YARBOROUGH. I think this is a very interesting statement. I congratulate Mr. Davis for coming here from Wyoming to add his testimony as a man who actually is a rancher and producing the cattle and faces this problem as the ranchers have to face problems of nature in droughts in the western part of the country, droughts, and unusually severe winters which increase the price of feed and all the other uncertainties and expenses that go with livestock production. I think, Mr. Chairman, that the U.S. News & World Report has done a good service here in this March 16 issue in printing this mystery of rising food prices, and it is headed, "How the Farmer Got Left Behind" because there have been criticisms of the farm programs by people that didn't understand them and thought that farmers were getting too much tax money in the way of subsidy. This is a fair and illuminating and constructive and informative material with these tables and charts, so the reader of this news magazine in the cities, can see exactly what the farmer is up against in the constantly declining prices of the raw materials that he produces as against the constantly increasing prices that the housewives are paying in the marketplace. The reader can see the price the housewife is paying is not due to the cost of production or the cost of this item marketed at the farm or ranch, but there are other costs of processing and distribution costs, perhaps noncompetitive buying or selling practices that enable—that is what this investigation is to determine—and permit certain sellers in the market to regulate prices. I think the cattle farmers particularly have been done a good service by this chart printed on page 81 of the U.S. News & World Report, showing that since 1947 the price of Choice beef in the retail stores has increased to where it is 126 percent in 1947 price levels, while the price of Choice steers in the Chicago market is now only 80 cents and a fraction percent. I think this is a very informative article and I want to commend that magazine.

Mr. DAVIS. May I comment on that statement?

Senator McGEE. Yes; please do.

Mr. DAVIS. Senator, I would like you to notice on that chart which takes 1947 as 100, that the Choice steer price has only been up about 3 years out of the last 12, showing that the pressure is downward at all times, whereas your retail price has been staying relatively high. It illustrates the point that you brought out so well, I think.

Senator McGEE. The savings on the beef market are not passed along to the consumer.

Mr. DAVIS. That is correct.

Senator McGEE. Does the Senator from Kentucky have any questions?

Senator MORTON. Mr. Davis, have you testified or do you plan to testify before the Finance Committee on this question of beef imports?

Mr. DAVIS. No, sir; I have not.

Senator MORTON. I think Wyoming has testified some, the chairman—

Mr. DAVIS. Our Governor, Mr. Cliff Hansen has testified.

Senator MORTON. And he had with him the head of the Cattlemen's Association of Wyoming and Wool Growers Association?

Mr. DAVIS. Yes.

Senator MORTON. I was interested in your comment and basic philosophy, you thought everybody ought to have a right to go into business. When we were working on the basic tax bill, I had a conference with Congressman Watts of Kentucky, who along with me, was concerned about a suggested change proposed by the Treasury Department and we had several meetings with Assistant Secretary of the Treasury, Mr. Stan Surrey. He pointed out one thing to me that I wasn't familiar with, and he was trying to get at this item which he considered a tax loophole. I don't how extensive it is. He said that a lot of these people with very high earned incomes, putting them in the 90-percent bracket, and he mentioned specifically some of the leading people in the movie business located in Hollywood and Los Angeles, have fallen upon a tax gimmick. They would buy thousands of head of cattle, which they never see, turn them over to a rancher to develop, and they would expense the bill each year and each month as they got it, taking it off a 90-percent tax. Then they would sell these cattle after holding them for 6 months, at a capital gains of 25 percent.

Now, I don't know how extensive that is, I don't know whether you are familiar with that practice at all, but of course, this is the type of a tax loophole that I recognize because these people aren't cattlemen. They don't even know where their cattle are. Some agent is doing it for them and they never see it. But, in trying to get at that loophole, the Treasury had suggested language which got at the whole pure bred beef cattle industry and in other words, we were burning down a big barn just to get rid of a few rats, so we had to straighten this thing out. I don't know whether we ever got at this problem, but is this extensive at all, do you know, because I had never heard of it?

Mr. DAVIS. Senator, I am not a tax expert and—

Senator MORTON. Is this an extensive practice where somebody who is not in the beef industry, but because of a tax angle, goes ahead and contracts out to some ranch or group of ranches to bring an enormous income of calves up to where they can be sold to the feedlots.

Mr. DAVIS. I would like to say this, that ordinarily, the capital gains tax only applies to breeding herds and therefore if the man went out and bought calves, they would have to be heifer calves, they would have to be carried until breeding age, I believe. That would not apply to steer calves, and it does not apply to the feeder in the position that we are discussing today, because of the fact that they are feeding cattle which are not breeding cattle, they are fattening cattle for market. It is true that there are some, I have been informed, who buy cows or buy heifers and hold them over and breed them and then sell them as breeding cattle, but they have to be held according to the regulations quite a period of time. And they have to justify the fact that they are being used for a breeding herd or breeding cattle. Ordinarily heifers such as we sell, for example, to a feedlot, we are not allowed to take the capital gain on.

Senator MORTON. That is ordinary income.

Mr. DAVIS. That is ordinary income.

Senator MORTON. Those are heifers you actually produced on your own ranches.

Mr. DAVIS. What we produce we sell, but do not retain in the herd for breeding purposes. Now may I say this, that to meet the objection which you state about certain people buying these cattle for tax gimmick, I think it might be possible to distinguish between legitimate operators and tax operators, shall we put it that way.

Senator MORTON. I agree with you fully. That is what both Congressman Watts and I recommended to the Treasury through Assistant Secretary Surrey.

Mr. DAVIS. I do hope that you will not injure the livestock industry by—

Senator MORTON. That is why we bitterly opposed administration language and were able to knock it out in both House and Senate. I am particularly interested in this feature just as you are, and we were able to make our point. The question I wanted to raise was, how extensive it is. All I have is Treasury's word for it. They say that there is a \$6 million involved in tax revenue in this item. That could make it quite extensive. The point I am making is that somebody who has no interest in raising cattle for a living or the cattle business per se, but through his tax adviser, can get into this business. I was wondering if that might also be a contributing factor to the difficulty in which we find ourselves today, not only from over supply of beef, whether it is from imports or domestic consumption, but from any marketing practices that prevail in the industry. Just the point I wanted to bring out and wondered if you had any personal knowledge of the extent of any such operations. I don't think anybody knows how extensive these are.

Mr. DAVIS. I agree.

Senator MORTON. Thank you very much.

Senator MCGEE. I would think that has to be another one of the factors that some of us have been discussing on the floor and that you can't hang your hat on any one of these pegs alone. Imports are having a depressive effect at the present time on cattle prices. I am sure that the tax loophole operation has a depressive effect, and I think it is not without accident that some of these people deliberately choose the cattle industry to make money by losing money. They couldn't

have picked a more timely industry from that point of view. It fits right into their purpose.

Mr. DAVIS. They have picked a good time to lose it, Mr. Chairman.

Senator McGEE. They make more by losing it than going into something in which they have a basic economic interest in being in. The question of market manipulation, which is the charge some of you are bringing against the big chains, has a possible role in this which is the target of our inquiry here.

I am told also that the import problem is aggravated a good bit by the numbers of American investors, including Hollywood investors, that have gone to Australia to go into the cattle business through the inducements that are offered there. They are now among the biggest ones bringing pressures on the imports into this country because it guarantees them a good market. So this gets to be a very complicated question and may be not Americans versus New Zealanders and Australians but Americans versus Americans.

Senator MORRIS. If you will yield there, I might say the Finance Committee has adduced testimony substantiating just exactly what you are pointing out then, that we have these flights of capital overseas who are taking advantage of this situation, in the fact that it is cheap to produce quality beef abroad.

Senator McGEE. It has also been represented to me some of the food chains are some of our largest importers.

Mr. DAVIS. That is correct, I believe, Senator. And also some of our packers are large importers, because I was in one plant in Newark about 2 years ago, and 20 percent of the meat going through that plant was New Zealand beef. And it was being brought in at 8 cents a pound cheaper than they could buy our local beef.

Senator McGEE. I just had one other question I wanted to ask you, Mr. Courtenay Davis.

If the feedlot operators are driven out of business, if cattlemen like yourself are driven out of business, would that mean that we would be without a supply of beef in this country?

Mr. DAVIS. No, sir; I think you would have large corporate integration take over, perhaps that is the pattern that is developing.

Senator McGEE. This is the point, this is a crucial economic question we are raising here. Is our answer to our whole problem here a sort of General Motors type of economy. It is one thing we have seen emerge in some other areas, and this is the answer that some people are seriously promoting in the beef industry.

Once again, the whole question this raises is the changing face of our economic pattern in this country and we are trying to be realistic about one of the yardsticks that is often suggested, that is, efficiency. They try to measure efficiency terms. This may be open to question two ways, democracy or so-called free interchange on the market is not always the most efficient method. I suppose if you had a monolithic economy, with a dictator at the top, you could theoretically have the greatest efficiency, but at some point along the line, we draw a line, believing that we reserve some other things that are also to our advantage and the record hasn't suggested, from what you have indicated here, that even with the accumulation of integrated controls, that it passes along the consequences of efficiency, if it is there, to the consumer at the other end. There seems to be no relationship between the gains of efficiency and the cost to the consumer.

Mr. DAVIS. I think that is correct. And I am sure, Mr. Chairman, that we don't want to have a corporate state type of government, such as in Italy under Mussolini. But it seems to me as if that would be the trend if we do not try to preserve our private enterprise system here with competitive markets and smaller producers.

Senator McGEE. I suppose the other alternative would be all right as long as they let either you or me and preferably me run it. If they don't permit that, it is open to question. This is where we come down to in the final analysis.

I wonder if we could recess for 5 minutes for me to make that live quorum call, and come back. I would like to take up the testimony of the next witness, while we are collected here this morning. Unless there is objection we will recess for a few minutes, and then we will resume with the testimony of Mr. John O'Dea.

Mr. Davis, I want to thank you very much for your contribution here.

Mr. DAVIS. Thank you, Senator.

(Recess.)

Senator McGEE. The committee will resume.

The next witness is Mr. John F. O'Dea, vice president, Denver Union Stock Yard Co. John, will you proceed?

STATEMENT OF JOHN F. O'DEA, VICE PRESIDENT, DENVER UNION STOCK YARD CO.

Mr. O'DEA. Mr. Chairman, my name is John F. O'Dea, vice president of the Denver Union Stock Yard Co. and vice president of Western Beef Factory, Inc., Denver. The Denver Union Stock Yard is the world's largest sheep market and largest central livestock market west of the Missouri River, serving the important livestock producing and feeding area of the Intermountain West. The Western Beef Factory is a service adjunct of the Denver market, feeding livestock for various principals and for our own account.

I apologize to the chairman and to the committee that the brief time that I had to prepare for this appearance this morning precluded the preparation of a formal statement. That statement, however, is presently being mimeographed and will be available to the committee later this afternoon.

Senator McGEE. May I interject here, John, when that is available, will you get our copies here? There may be others in the room that would like to have access to those copies. Do you have any time lead on that?

Mr. O'DEA. We hope it will be here at 4 o'clock.

Senator McGEE. And anyone who wants a copy might obtain one here.

Mr. O'DEA. Yes, sir.

Senator McGEE. They can call at the committee office, room 5202.

Mr. O'DEA. As the principal livestock market for this very important segment of the livestock economy, we have properly concerned ourselves with recent changes in the livestock industry, which we believe are contrary to the interests not only of livestock producers and feeders, but to processors and ultimate consumers as well.

During the last 8 years, we have observed the disruption of normal marketing relationship and in almost every instance, we find that these changes are directly related to the buying and merchandising practices of food chains. The livestock industry today is experiencing one of the most serious depressions in its history.

In 1963, cattle values were cut more than \$2 billion and there appears to be little relief in sight. Despite substantial increases in volume, meat packers and processors have been unable to benefit by the plight of the producer and according to the USDA, more than 10 percent of all packers are operating today in an insolvent condition. While producers have not been hurt as severely as cattle feeders, there is every indication, as Mr. Davis has reported to you, that they will be under severe price pressure when they sell their cattle this fall.

The depressed condition of the cattle market is not a temporary condition. There has been a steady erosion of the livestock producer's position for the last 8 years or more. On balance, the infrequent instances when livestock values were more nearly in line with the rest of the economy and the cost of production failed to offset the continuing drain on the capital resources of producers and feeders. While there are other factors that may explain in part, at least, the disastrous prices paid for livestock today, we believe too little attention has been given to the consolidation of vast economic power in the hands of food retailers and their inclination to wield that power not wisely but too well.

Mr. Davis, in his statement, related to you the pressures that are felt back to the ranch and to the grass producer of cattle. I would like to supplement his remarks, this morning, by essentially devoting my remarks to the effect of food chain buying and merchandising practices on the livestock feeder and on the marketing system of the livestock industry.

Choice feeder prices today are no higher than they were almost 20 years ago. According to the Marketing & Transportation Situation, published February 7, 1964, the farmer's share of the consumer dollar spent for beef declined 56 cents in 1963, which was the smallest share of the consumer dollar since 1935. At the same time, the farm retail spread for Choice beef increased to 35.7 cents, a new record which was 17 percent wider than in 1962 and 11 percent wider than the previous record established in 1961.

While retailers have increased their margins on beef 1 cent a year since 1953, packers have barely held their margins constant. Most packers indicated in their 1963 annual reports that beef operations were largely responsible for their unsatisfactory results. It is apparent, I believe, that the packers have had a difficult time to operate in the present competitive climate and unless some relief is granted them, we can expect to see more packers in more serious financial difficulty.

Food chains, on the other hand, reported near record earnings for the same period and there is every indication that 1964 will be another banner year. The market basket that cost the housewife \$10 in 1947, rose in price to \$11.83, up 18.3 percent, while the same groceries returned \$4.33 to the farmer, down 15.6 percent.

This development, this disparity in the relationship of the prices paid by the consumer to the price paid to the producer should destroy the myth so carefully cultivated by the food chain spokesmen that the savings made through the purchasing and merchandising practices of food retailers are passed along to the consumer. The record is increasingly clear that the consumer has been duped into believing that she sets the price and benefits directly in constantly lower prices and in no instance is this duplicity more evident than in the sale of fresh meat.

I think that I would like to observe at this time the apparent experience of some food chains as reported in the *Supermarket News* of a recent date, reporting the results, the preliminary results of the McKinsey food study of food distributor economics. It is the most ridiculous statement——

Senator McGEE. This is the McKinsey report?

Mr. O'DEA. However, there is a certain degree of romance to it, if I might observe. The McKinsey report, at least in their preliminary report, make the statement that 33 out of 46 food retail stores studied, lost money in handling beef and in some rather detailed charts, they place this value at something about a tenth of a cent per pound minus in these representative stores. While the McKinsey report was making these statements in Hollywood Beach, Fla., a major chain in the Denver area conducted a 3-million-pound sale on beef.

This is the first time, to my knowledge, that virtually every item of the beef carcass was sold at so-called special prices, prices below the general image for our trade territory.

Senator McGEE. What was the approximately date of that?

Mr. O'DEA. This was a week ago last Thursday, Senator.

Senator McGEE. This month in 1964?

Mr. O'DEA. That is correct. On October 24, 1963, this chain reported in a livestock market newspaper the results of the cut-outs by particular retail cut of the average Choice beef carcass. Using those cut-out amounts and extending it by the price paid by consumers on this special beef sale in Denver, we find that the food retailer in this instance realized a 60-percent gross margin and a probable net before taxes of 25 percent.

We have been aware for sometime that Colorado beef brings more in Denver at retail than it does 2,000 miles away in Washington. This is not to say, however, that the consumers in Washington are buying their meat at a bargain price.

The Washington Post for March 29, 1962, advertised sirloin steak in the local food chains at 79-89 cents a pound. At that time, cattle feeders in Colorado were paid 26 to 27 cents a pound for Choice cattle and the beef costs the retailers about 44 cents a pound delivered here in Washington. Last Thursday, the Washington chains were getting just about the same price for beef from the consumer but Colorado cattle feeders were paid \$60 to \$70 a head less and the chains bought their beef 10 cents a pound less delivered here in Washington.

We are not finding fault with bigness as such. The obvious operating efficiency of the food retailing system through large national chains has made more kinds of food available to more people than ever before. We do challenge, however, the indiscriminate use of such vast economic power to further their own interests with little regard for

the interests of producers, processors, or consumers or the economy generally.

Food chains have demonstrated an ability to administer food prices independent of supply and demand considerations. This has been possible through the creation of a sophisticated buying mechanism which reduces all purchases to price competition. Meat warehouses and processing units increase the leverage of the chains in acquiring their supplies. Rigid specifications further refine USDA standards and make the chain the sole arbiter of whether or not the beef delivered to his warehouse will be accepted.

The extension of credit demanded by some chains place suppliers in a position where they are forced to seek similar concessions from producers so that the producer becomes the financier of part of the chain's retail operations. Increasing integrated operations, in some instances extending from the feedlot to the retail counter, make it possible for some chains to withdraw at will from the competitive markets in an effort to control live prices.

These practices of the food chains, Senator, are well known to the industry. They have been carefully documented in the Roosevelt committee report on Small Business, 1958, and they have been the source of continuing and growing concern on the part of the livestock producer and marketing groups. These practices of the food chain have been reflected on the cattle feeder.

If I may be permitted a parochial observation of my own immediate experience in Colorado, we have a test tube situation. We have a vast producing area, remote geographically from other producing areas and certainly, sufficiently removed from the populous areas of the East to make price determinations on our market move in almost the pure economic sense. At the same time, we have a very healthy livestock packing economy. We have 12 packages either on our market or just a short distance away and in the last 7 years, we have doubled the total number of cattle on feed.

We have seen, however, over the last 8 years a diversion of livestock from the price basing market originally inspired by the actions of an east coast food chain with packing facilities in Colorado. Other packers in order to compete, in order to supply their eastern accounts with beef at competitive prices, followed the policy of that food chain and in 1963, secured 65 percent of their total supplies in direct dealings with growers at feedlot points.

During this time, we have witnessed a decline of the farmer feeder, so that today, 50 percent of all cattle fed in Colorado are fed by 15 corporations or individuals. The sum total of the pressures of food chains have been successfully related to the packer and he, in an effort to survive in this situation, has succeeded to a large degree in passing most of those pressures along to the livestock feeder.

The picture of dominant power and its use is just the same at the retail level. The chain tells the consumer what he will buy and what he will pay for it. Severe price declines at the live or wholesale level are infrequently or belatedly passed on to the consumer. The food chain fetish for a stable price has become a tool that can be used to dull competitive forces by encouraging short term bulges to develop in supply channels so that additional price pressure might be exerted.

The consumer is frequently required to subsidize price wars in one

area by paying sharply higher prices for the same merchandise to the same chain in another area. Private labels have been used to destroy competition from the nationally advertised packer labels and create captive suppliers among them. Price images frequently below the cost of production make it possible for a chain to automatically switch the consumer's interest from product to product which in turn makes food chain control of wholesale supplies the more positive.

I think, sir, the experience of the poultry industry in the past and the lamb industry at the present, where both poultry and lamb are being merchandised, for want of a better term, at prices below the cost of production argue against the continuation of a healthy livestock economy in those areas and most certainly, the lessons learned there may well be applied to the beef business in the near future.

Are these practices, which food chain apologists attempt to explain away, the simple exercise of a prudent management dedicated to advance the interests of their stockholders? We think not. The record of the Roosevelt Small Business Committee established the fact that most of these practices in their total effect are inimical to the interests of agriculture, processors, and the consumer, and we might add, even to the long-range interests of the food retailing interests themselves. We believe that if the economic pressures which the food chains have knowingly created and exercised are allowed to continue without challenge, they will destroy the agriculture base on which our entire economy is dependent and will eventually be reflected in the crippling of the food retailing mechanism or worse yet, the creation of a food monopoly diametrically opposed to the national interest.

Senate Joint Resolution 71 directs the Federal Trade Commission to consider the forces at work in the industry today and to determine if the law is being violated. It is not intended as a witch hunt beginning from the preconceived notion of guilt.

We are concerned that packers and feeders who are most intimately affected by the practices complained of might conceivably prove to be unwilling witnesses. I had a packer at my desk before I left for Washington, who related in great detail the various pressures he is being constantly subjected to, but he followed his entire statement by saying, "If you tell anybody about these things, I will deny it."

I said, "What happens if you are put under oath?" He said, "I will have to face that when I come to it, but I am not prepared at this moment to perform economic suicide."

I feel if the chains sincerely believe they are operating within the law and in the interests of the national economy, then we can reasonably expect their complete and wholehearted support in this matter.

While other approaches to establishing the facts have been advanced, we believe that the Federal Trade Commission has the background, the interest, and the responsibility to proceed immediately under a strong mandate from Congress to objectively and definitively establish the facts of the case, whatever they might be.

The 1958 Federal Trade Commission study of the food distribution industry and the record of the Roosevelt Committee provide an adequate starting point that can be quickly expanded to insure a comprehensive and objective study of all problem areas.

We urge the prompt and favorable consideration of Senate Joint Resolution 71 by this committee. There are no simple solutions to the many problems at hand, but this action could make a strong step forward to correct many of the ills which beset the meat industry today.

Senator McGEE. Thank you, Mr. O'Dea. I have several questions I want to raise with you. You have just concluded your statement with a reference to a case that you report with a packer in your area who expressed a fear to testify. His fear derived from what circumstance?

Mr. O'DEA. The particular packer in question is a carcass supplier of U.S. Choice carcass beef. He specializes in this class of beef because, first of all, there is usually the most reliable outlet for it. Secondly, because our trade territory specializes in the production of Choice grade beef. But when he sells his product, it is a completely undifferentiated product from all other U.S. Choice beef and he finds that his sole outlet is two, or at the most, three food chains.

He did indicate to me that he has more luck, if you will, to sell his beef to a particular chain than to others. He said, "I am in no position to criticize, even though I am barely able to operate under the pressures that are being placed upon me."

Senator McGEE. Is this saying that if he did testify and try to make constructive suggestions to a committee of the Congress he feared a retaliation against him from those to whom he sells?

Mr. O'DEA. Very simply, yes, sir, and this is certainly an opinion widely held at the packer level.

Senator McGEE. In other words, this is not a case, in your experience, that is isolated in this particular packer's experience?

Mr. O'DEA. No, Senator, I have had representatives of national packer associations make the same statement, that even cloaked, if you will, by the anonymity of a trade organization rather than a particular packer, they would be fearful to testify.

Senator McGEE. And the substance of their fear is that if there is retaliation against them, they have limited or no alternatives for the sale of their product, is that it?

Mr. O'DEA. That is correct.

Senator McGEE. Therefore, they must serve the price determined by the purchaser without recourse to any testimony that, in their judgment, would seek to assist the Congress in finding answers to questions that are aimed at meeting the public interest?

Mr. O'DEA. That is true, sir.

Senator McGEE. That is a rather serious charge, it would seem to me, and one that perhaps would bear out the need for a very careful investigation which is being envisioned by this particular resolution. If this kind of stranglehold in fact exists, it is important that we know about it and that we address ourselves to the problem of what to do about it. I would think that this would be conspicuously in contradiction to the producer interest and to the well being of the economy as a whole.

From other things that you have mentioned here in your testimony, I am concerned with this continual high price that some of the food chains are presently charging for meat, even though the costs of acquiring that meat have gone down. Now we are told at times that

the reason for this on the part of the chains is that they have higher labor costs and thus the difference goes into the increased salaries of employees. Would you care to address yourself to that question or are you in a position to do so?

Mr. O'DEA. If I may have a moment, sir. I am looking for a direct quotation from Marketing & Transportation Situation, Senator—MTS—152, U.S. Department of Agriculture. In this study, which is the most revealing study of the retail costs of farm value and marketing spread for farm foods, this observation is made:

However, I believe while the continuing higher cost of doing business is apparent to all of us, in this instance at least, the higher unit production of labor at the food chain level has successfully met the increased wages paid to butchers and handlers of meat.

Senator McGEE. In other words, because of the way in which meat is now merchandised across the counter in the chain, there have been compensatory gains in mass producing it that more than make up any increased costs of labor?

Mr. O'DEA. Yes, sir. In the instance cited in Denver of a margin of 54 percent plus gross and almost 25 percent net, we used a figure of 11 cents a pound, which is the McKinsey report and appears to be a decent national average of the cost of merchandising a pound of beef. Obviously, when a chain merchandises 3 million pounds of beef over a very limited shelf area and very short period of time over the course of a weekend, they are obviously exercising operating economies that would cut that figure substantially.

Senator McGEE. I heard housewives in my neighborhood, for example, recollect the days when they used to go to the supermarket and they could talk to a butcher and describe the cut of meat they wanted and get personal service of that sort. At the present time, this in general does not exist except in very few cases. The product is already packaged and they sort through and pick out the particular variety that they want. I suppose this is a good illustration of how labor costs would actually go down; that is, per item sold per customer served. It resulted in a higher cost of labor to have the housewife personally contact the butcher and request the cut of meat she wanted than the methods resorted to now; is that not true?

Mr. O'DEA. That is true and the food chains have gained another fringe benefit, if you will. According to people in the business, that is, food-chain butchers, they tell me that because of the self-service system of selling or displaying meat, the housewife is not price conscious on price per pound. I am sure we have all had the experience of going into a supermarket and seeing the housewife leafing through identical packages of ground beef, for example, all at the same price per pound, but obviously looking for so many cents worth total for the evening's meal or tomorrow's lunch. This has taken the strain away from the price consciousness per pound and has made it possible by getting a higher price per pound and serving or selling smaller portions.

Senator McGEE. The explanation has also been advanced to this committee informally that the housewife, the consumer, has made such demands on the supermarkets in packaging conveniences of one sort or another, that this accounts likewise for the increase in the price of meat. Would you care to comment on that?

Mr. O'DEA. Quite possibly, Senator, this is true in the case of TV dinners and prepared mixes, prepared frozen foods, and the like, but certainly, it has no application to the sale of the fresh meat product. There is no built-in maid service when you are selling a roast or hamburger or any of the other conventional cuts of meat. It is simply that it has been prepared by butchers out of sight of the customer, operating with machinery, cutting meat with machinery and obviously operating at a substantially higher level of production than he would be if he was selling at the counter. It simply does not apply to the sale of meat.

Senator McGEE. You mentioned here the McKinsey report. Would you care to describe a little more carefully that report and its content for our record here?

Mr. O'DEA. The McKinsey report, quite appropriately, I feel, was asked by the National Association of Food Chains and the American Meat Institute to study the operations of selected stores over a selected period of time to determine whether or not particular products were in effect paying their way in the sale at the retail level.

Senator McGEE. This report, you say, was initiated by some of the food chains?

Mr. O'DEA. And by the American Meat Institute representing some of our major packers. The study was an economic one, conducted by a reputable management consulting organization in New York. The results of that chart show, for example, an average sale price for beef of 54 cents in 46 stores, which constituted the sample. That was an average selling price, if you will, of 54 cents, at a time when the Marketing & Transportation Situation reports variously from 78 to 83 cents. Similarly for cost of foods, the report shows on beef a cost of 44 cents a pound or \$44 a hundredweight, as we would say it in the wholesale business.

Only rarely during 1963, and I must assume that the study was made in 1963, only rarely did U.S. Choice beef sell above 40 cents a pound. At the present time, the food chain type of beef is bringing 34 cents a pound. In the instance of heavy beef, it is bringing from 30 to 31 cents a pound. This is price at the packer's dock.

Obviously, Senator, with a ridiculously low sale value of 54 cents and an inflated cost of 44 cents, the margin of a little less than 10 cents a pound is a matter of simple arithmetic. However, we feel from our own observations and relying on the information developed by the statisticians of the Department of Agriculture, this does not reflect accurately the price relationships at the retail level.

Senator McGEE. Do you have any observation, from your interest in the Denver Union Stockyard Co., of the magnitude of the participation in the feedlots business in the Denver area on the part of the food chains?

Mr. O'DEA. Will you restate your question?

Senator McGEE. Do you have any way of measuring from your experience in the Denver area, the magnitude of the participation of the food chains in the feedlots in the Denver area, as they may affect your operation?

Mr. O'DEA. First of all, let me for the record state that a stockyard company is nothing more than a service institution, which provides holding facilities for livestock in the process of marketing. However, in the course of conducting that business, which we have conducted in

Denver for more than 77 years, we have quite understandably developed sources of information that give us a very close insight into the operations of the cattle feeder and the cattle producer in our trade territory.

The situation at the present time reflects the distressed state of the cattle business. We find that there is a definite relationship, Senator, between the level of the chainstore feeding and the level of the market. The chainstores are more than inclined to feed cattle when prices are high and to get out of the cattle feeding business when prices are low. There are some exceptions.

One of the top five national chains operates an extensive feeding operation as well as packinghouse in Denver. Another chain of similar magnitude feeds with commercial feeders on a cost-plus basis as the market dictates. The third national chain, with a packing plant in Colorado, an eastern chain, has established relationships over the years which, in our opinion, are probably contractual but if not, they have the effect of a contractual relationship in that this particular chain gets virtually all of the livestock from certain lots.

Now the point is, of course, sir, that they have the advantages of feeding cattle without the capital investment in a feeding plant.

Senator McGEE. That is an advantage derived from the contractual arrangement?

Mr. O'DEA. To a lesser degree. The advantage of the contractual arrangement is that there is no fixed overhead and the packer can be in and out of the cattle business at a moment's notice. There are many feedlots in Colorado which hold themselves out to perform a custom feeding service and there is sufficient competition between these lots that their prices are extremely competitive and we suspect that it is just as cheap for a food chain to feed livestock from a commercial feedlot as it is to feed his own cattle in his own feedlot.

Senator McGEE. And with this element of less risk.

Mr. O'DEA. Yes, sir.

Senator McGEE. This gives him greater flexibility as long as it is strictly on a contract basis. Therefore a reading or a statistical profile of the degree of vertical integration on the part of the chains in the meat industry would not necessarily reflect their real marketing capability?

Mr. O'DEA. Unfortunately, Senator, the only information we have on this score is the information which is ancient history when we receive it because it is accumulated by the Department of Agriculture from the annual reports filed by food chains and packers. The most recent figures, I believe, take us up to the end of 1962. The difficulty is that the report form from which this information is developed does not reflect any of the many side relationships that are possible that would make it possible for a food chain or for a packer, for that matter, to conceal the true size of their feeding operations. Only if the livestock are fed more than 30 days and in the name of and in a plant owned by the food chain are the figures accumulated and made available.

There is a second possibility and I certainly don't feel we should overlook it. Independent of cattle feeding, it is possible for a food chain to secure the same advantages as having a live supply of livestock by maintaining a processing plant which in effect gives them a 2 to 3

weeks' supply of beef on an immediate call basis. In this fashion, you eliminate some of the swings he would otherwise experience in his own operation.

Senator McGEE. Would those suppliers that, let's say, would be at the producer's end of the contract arrangements be in that category that you describe in your testimony as captive suppliers?

Mr. O'DEA. Very much so. The experience in Colorado, and I don't mean to limit this to the immediate because this practice is growing, the experience in the larger feedlots in Colorado is this. A feedlot over a period of time develops a certain character and it becomes variously known as to use the name of a national food lot, an American store lot, and so on, because over a period of time this grower has been selling the bulk or all of his livestock to a particular packer or food chain. This creates a captive situation because once that relationship is established, other buyers will not willingly compete for those livestock and as we are dealing in a highly dynamic business, dealing with a perishable product, he finds and feels that he must continue that relationship because there is no other alternative available to him.

Senator McGEE. On a domestic scale that is not unlike the international barter agreements that Hitler became very famous for in setting up what eventually developed into a captive supply, a captive market. I am not enough of an economist in this particular area to vouch for the validity of the total parallel, but the end result, I would think, would be the same.

What about the practice of imposing upon a captive supplier concessions other than price that might depress his take?

Mr. O'DEA. A very good case in point, I believe, Senator, is the case of the independent packer who produces carcass beef of choice quality and who sells principally to food chains. This is what happens. The packer, first of all, is required, if he wants to sell to the food chain, to offer his livestock at a price to the food chain subject to the specifications established at an earlier date by the chain. This is simply a matter of price competition. All packers are competing for the same business and solely on a price relationship. But regrettably, the packers are operating independently of each other in their offerings and the food chain accepting those offerings has the most complete knowledge of the supply situation, the price that is the going price or the offered price or prices, and their own situation which will largely determine how much of those offerings will eventually be accepted.

We have reason to believe, and I believe the record of the Roosevelt committee will bear me out, that this is not a completely innocent operation on the part of the food chains. The representative of the food chain in Denver testified under oath that on occasion, he was not disinclined to suggest to a packer offering beef that he was out of line with his competitor and if he wanted a piece of the business, he would have to come in at a lower price.

We have other evidence that the packer on occasion has been the low bidder, but his bidding hasn't been accepted. He has been, in effect, penalized and, at a later date, is required to offer the same beef at a lower price. This pressure is further extended by the fact that there seems to be a definite relationship between the percentage of beef

accepted on inspection at the food chain dock and the condition of the market.

Packers tell us that if they overprice, for example, at 30 cents a pound and on day of delivery, if the going price is 29 cents a pound, there is an unusually high rate of returns. There is no appeal from the decision of the food chain to return the beef. It is simply accomplished and quite possibly subsequently offered back to the same chain at the lower price.

Then we get into the extension of credit. Our Denver packers, for example, a large independent packer will buy a million dollars worth of cattle today. He has another million dollars tied up in processing. He has another million dollars' worth in his coolers. He has a fourth million dollars in transport to the east, and he has accounts receivable of \$2 to \$3 million. In other words, Senator, in order to process a million dollars' worth of beef today, a packer has to have money, capital, or credit equal to seven, eight, or nine times that amount.

Senator McGEE. Mr. O'Dea, that is all the questions that I would care to raise at this time. I want to express appreciation for your contribution here this morning. It has been direct and to the point.

I see I wrote myself a little note here to ask you a concluding question, and I don't know whether you feel free to answer it, but in your allusion to the fact that some of the packers have expressed a fear to testify because of the prospect of retaliation against them, is your operation in such a role that it would be subject to retaliatory consequences?

Mr. O'DEA. I feel not, sir. We have experienced a revolution in the production and marketing of cattle in our territory in the last 10 years. We feel that, as a service institution, we are essentially and necessarily the agents of the livestock producer. We feel, and we have expressed considerable interest in these problem areas for the last several years, that as an extension of the service that we would hold out to the livestock producers who use our facility in Denver, that we can do a substantial service for the industry by testifying to the circumstances as we see them.

I don't believe that the food chains are in a position to retaliate directly against us, and I feel that our packer customers would welcome the possibility that we would be spokesmen for them. However, I believe that if this particular course is followed, that it will be essential to have the statements of those immediately affected directly from them.

Senator McGEE. Would the cattleman, in your judgment, be subject to the same retaliatory consequences that you have referred to?

Mr. O'DEA. I believe there is information in the Roosevelt committee record and I believe that there is evidence in our territory at the present time that some cattle feeders are fearful of retaliation by the food chains.

Senator McGEE. You refer now to the cattle feeders?

Mr. O'DEA. Yes, sir.

Senator McGEE. Let's take the next stage so that we can cover the full spectrum here. What about the cattle grower?

Mr. O'DEA. At the moment he is operating in a relatively free market with a limitless number of potential buyers. He is insulated from food chain pressures at the moment.

Senator McGEE. Would he be indirectly subject to any decision made by the purchasers that could inhibit his willingness to contribute his experience in this marketing picture?

Mr. O'DEA. I see no problem at the moment in having abundant and pertinent testimony from representatives of producer groups.

Senator McGEE. We have noted on the committee some hesitancy on the part of some of the official cattle growers organizations to participate in this kind of exploration and that is the reason for the question.

Mr. O'DEA. The difficulty there, Senator, if I may interrupt, results from a curious split personality among the officials of the livestock producers and feeder organizations. The Colorado feeders, for example, are on record as recently as the first week of February 1964, in which they attempted through resolution to set up a code of ethics to limit the powers of the buyers in the market. And as I have related earlier, these pressures are simply the reflection at the packer level of pressures from the food retailer on the packer.

While giving the widest possible dissemination to this code of ethics, the same organization at the same time in a similar resolution, commended the food chains for their efforts in merchandising beef. Then subsequent to that, meeting privately with the members of the board of directors of that organization, we were told that they would welcome the FTC approach or any other full and impartial study of this problem, but that as an organization, they were hesitant to upset the meat business at this time by any frontal attack on food chain practices.

Senator McGEE. I have no more questions. Thank you very much. We will expect the copies of your official testimony later this afternoon and it will be available in room 5110, the room directly behind me.

The committee will recess until 8:30 o'clock tomorrow morning.

(Whereupon, at 11:45 a.m., the hearing was adjourned to reconvene at 8:30 a.m., Wednesday, March 25, 1964.)

STUDY OF FOOD MARKETING

WEDNESDAY, MARCH 25, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met at 8:43 a.m. in room 5110, New Senate Office Building, Hon. Gale W. McGee presiding.

Senator McGEE. The committee will come to order.

First, I would like to read a short opening statement for the hearing this morning.

Coercion and intimidation are ugly practices in any context. When applied to thwart an investigation of Congress, they strike to the very heart of the democratic processes. By its very nature, intimidation is too often incapable of direct proof. Yet we have heard testimony in this hearing yesterday that members of the livestock industry are withholding evidence from this committee out of fear of reprisal from their dominant customers, the chainstores. **Fear of the chains**, it is asserted, is evidently widespread, particularly among those captive suppliers who are dependent upon purchases by the chainstores.

I want to assure the food industry, and those captive suppliers and any others, that this committee will not rest until the full story of purchasing, marketing, and pricing practices in the food industry has been revealed.

I would hope that those fears are not widespread, but I will be interested in questioning others of our scheduled witnesses on their experiences in this matter.

The first witness this morning is the distinguished president of the National Farmers Union, James G. Patton. Jim, will you come forward? I understand you are accompanied by Angus McDonald.

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION, WASHINGTON, D.C.; ACCOMPANIED BY ANGUS McDONALD, ASSOCIATE DIRECTOR OF LEGISLATIVE SERVICES OF NATIONAL FARMERS UNION; LAIL SCHMIDT, PRESIDENT, ROCKY MOUNTAIN FARMERS UNION, DENVER, COLO.; GEORGE BICKEL, ASSISTANT TO THE PRESIDENT, ROCKY MOUNTAIN FARMERS UNION, DENVER, COLO.; AND REUBEN JOHNSON, WASHINGTON, D.C.

Mr. PATTON. Mr. Chairman, I would like to ask permission to have with me Mr. Angus McDonald, who specializes in the field of monopoly and antitrust, and my distinguished coworker, Lail Schmidt, the president of the Colorado Rocky Mountain Farmers Union; that is,

Colorado, Wyoming, New Mexico, and Arizona. I would also like to have sitting with me Reuben Johnson, who heads our Washington staff, and Mr. George Bickel, who is the assistant of Mr. Lail Schmidt.

Senator McGEE. All you gentlemen come to the front.

For the record, you ought to identify yourself, Angus.

Mr. PATTON. I will identify him in just a moment.

I am delighted that you made that opening statement, Senator, because it rings a bell in my mind that goes clear back to 1938 when in the State of Colorado we had before the people a referendum to repeal the chainstore tax. I was a victim of the attacks of certain interests who were employed, I understand, by the chainstores. They even hired the president of the Colorado Farmers Union and the vice president of the Colorado Farmers Union, and I was a poor little old guy just out of college trying to make a living as the secretary of the Colorado Farmers Union.

The question in point was whether or not the chainstores were using peaches produced in Palisades, Colo., as a loss leader in their operations.

They had the practice which seemed to me at that time, and still seems to me, to be a bad thing. They restrained or stopped buying our peaches, which are a very perishable commodity, until the price of peaches went way down and the farmer had to take a substantial loss. And then they tried to give the farmers the impression that they were giving them great help by stepping in and buying several carloads of peaches. The only thing wrong with that was that the farmer had already taken a loss before they started in, and then they advertised to the consumer and tried to make the consumer believe that they were getting a great bargain.

So, Mr. Chairman, your opening statement has a big ring. They literally got the president of the Colorado Farmers Union to call a meeting of the board of directors of the Colorado Farmers Union for the purpose of getting me fired. And Link Warren, who was then the president of Safeway, brought the cornstock brigade from California. They were supposed to be important farmers who had benefited substantially by the, whatever the operations of Safeway were at that time, to testify as to what the great marketing services of Safeway Co. was providing.

I didn't have anybody but myself and a couple of college kids. We battled along all day and the issue was not over Safeway but whether or not I was going to be fired as secretary of the Colorado Farmers Union.

The result of the meeting, and I won't extend this, was that the president of the Colorado Farmers Union was given notice that he would either resign in 10 days from his job with the public relations outfit that the Safeway Co. had hired, or he would resign as president of the Colorado Farmers Union.

Well, he did neither. I was unanimously elected as president of the Colorado Farmers Union and went on from there to be elected president of the National Farmers Union, and I have served, Mr. Chairman, since 1940—November 1940, and I was recently unanimously elected and I think for the last time, because I have just about given my effort in this thing.

Mr. Chairman, I would like to take this opportunity to say to you, sir, that you have the privilege, operating as chairman of this subcommittee, of starting something which one of your illustrious predecessors did years ago, the Honorable Joseph O'Mahoney, one of the great people in this Government. His work on the Temporary National Economic Committee had major significance.

What you are actually doing here, Mr. Chairman, is beginning an investigation into the nature of our economy and the way it functions. This country became a great country because there have been little people who become big people, little people who cared, people who were willing to take on the so-called big mules, as they call them in the South. The Farmers Union is still willing to take on the chainstores. I think, Mr. Chairman, that the American consumer is being kidded into thinking that the American farmer is getting a taxpayers hayride and that the American consumer is paying a lot of money that he shouldn't have to pay when in fact and reality he is getting more for his hour of work in terms of food than any consumer in the world.

I am not going to get into the technicalities of this matter, Mr. Chairman, because I have here a whole battery of people who have investigated. But I would like, if I may, to call upon Angus McDonald to speak first, and then of course I would like to call upon my coworker, who is a member of our executive committee, Mr. Lail Schmidt and his assistant, Mr. George Bickel.

But I say to you, sir, that I hope that you will pursue this much beyond just this one single thing, because the nature of our society and the nature of our economy is such that bigness as such is not necessarily bad. But these great aggregations of capital which will be besetting us, and which are entering our field of farming, call, it seems to me, upon our responsible leaders in Government to blow the whistle, if you please, sir, and to make social decisions as to the kind of society which we are going to have.

To repeat, if I may: I think what you are engaged in here is not just an investigation of the chainstores and their manipulation of the market. And it isn't just a manipulation of the cattle market, incidentally, it is a manipulation of the perishable market, it is a manipulation—it is even a business of monopoly of space on the shelf. It is a manipulation of the American consumer, of the producer, and we are being played against each other. But quite beyond that, Mr. Chairman, what you have here in your hands, if you will pursue it, is another opportunity to do what the Honorable Joseph O'Mahoney was doing when World War II came along and cut it off, is an investigation, if you please, sir, a look at the kind of a society which we have and what kind of a society we are going to have in the future. Are we going to have a welfare state; are we going to have a military WPA; are we going to have an institutional university WPA which depends upon the bounties of military government in order to run itself and depend upon the rightwings and the reactionaries who attack men like you and Senator Yarborough and others? Or are we going to have a free society in which everybody is going to have a chance?

I haven't any objection to the chainstores as such, but I must say, sir, that their intimidating kind of statements, and their attempt to do a

snow job on the American public with their public relations firms, is not a good thing. I hope, sir, that you will show your usual guts and integrity and go to the bottom of this thing.

In closing, I want to say that I am always belabored by this business of wanting to put the American farmer and the American producer in a free, competitive society. I would just like to say to all of them that we will enter the free competitive society any time the rest of them want to go there.

If steel wants to go on a free competitive society and produce at 105 percent and take whatever price that will yield, we will be glad to meet them. If the rest of the other elements of the society want to do the same thing, we will be glad to meet them. But as long as we live in a rigged society, we as farmers and producers have to depend upon defense of Government and people like yourself and Senator Yarborough and the great forward-looking people of this country to protect the little people.

Mr. Chairman, I have made quite a dissertation here, because I flew all night to get here because I hold you in such high esteem and what you are doing. I am fighting mad. I am mad for the American consumer, and for the American producer, and the farmer. Honestly, Mr. Chairman, some of those who, when we held our cattlemen's caravan in 1954, and brought a whole bunch of cattlemen down here, we were told by some of the organized—I don't know whether they were organized but they said they were organized—producers of cattle and others that they want the free market. But I notice that when we get into a little bit of trouble, they want price supports. Of course they don't call them price supports. They call them tariffs when they get into a little trouble, and quotas and such things as that.

Let me make it very clear that I am not against protecting the American producer. I just hope that one day, Mr. Chairman, all the American agriculture producers will have to come up to the "lick log" at the same time.

We always supported the Sugar Act. But the minute the Sugar Act was passed the sugar boys evaporate. And the minute the Wool Act is passed the wool boys evaporate. When we get up to the wheat and cotton bill, we have a tough time. I just hope that some day we all get up to the "lick log" at the same time and have to meet the same issue.

In conclusion, please don't drop this investigation, Mr. Chairman, because it is deeper than the chainstores. It runs into the whole nature of our society. And if this great country, which I think is the greatest country in the world, is to meet the challenges of the future, if it is to meet the challenges of the societies revolving around us, then it must give an opportunity to all the people in this country, and it must not be intimidated by the few who are invested with wealth and power which they came into possession of from the patronage and the support of the people.

Thank you, Mr. Chairman.

Senator McGEE. Thank you, Mr. Patton, for your prefatory remarks. Before we turn to Angus, I want to say for the record that the hearing that we are in the midst of here this morning, we tried to get off the ground as early as a year ago.

Through many ramifications of our difficulties, it has taken the buildup of pressures now and the acute necessity of, say, the cattleman's plight at the present time to bring it to a head.

I assure you that the members of this committee intend to pursue this with all of the energy and resources that we are able to bring to bear; that while we are looking at the meat practices of the chains right now, the suggestion has already been made to this committee that the study could well become the basis of a TNEC type of investigation to parallel that great investigation of 1938.

There have been enough changes in the last quarter of the century, enough new peaks in our economic and marketing practices to warrant this study in the public interest and in the interest of the individual, the little guy to whom you refer. Where it goes from here would be up to the Congress.

But we believe that by getting launched with this resolution directing the Federal Trade Commission, the historic investigating arm of the Congress, to look into such matters as this, and with some enforcement capabilities, that we have the best opportunity to get this on the road with a minimum of delay. That is the reason for the particular reference to these hearings at the present time.

It has been surprising to the acting chairman of this committee to note the widespread interest that has suddenly centered on these hearings from all over the United States and from all levels of our economic strata.

The requests to testify by people who believe they have another angle that ought to be heard are far more numerous than time will permit our examining. For that reason, we are going to try to hold it to the prescriptions of this particular approach at this time.

But the complaints that we are receiving, the charges that are being made, the allegations that are being circulated, are serious enough to require the closest scrutiny of the Congress.

As I suggested in my opening statement, if, in fact, there are those living in fear of intimidation or recrimination, or retaliation, that, in itself, bespeaks a condition that somebody had better take a hard look at and soon.

There are those who tell us that they think that if they just remain silent that maybe this will kind of blow over and they can hang on a little longer. But I think they ought to remember that they are only delaying their own demise another few moments in history.

And as long as this question has been opened, if that kind of economic power in fact does exist and is being used in that way, it is time the people of this country know about it and the duly elected representatives and proper governmental agencies take the necessary measures to free the economic community from these fears and from these shackles.

No one has a complaint about the bigness of the chains, or bigness of anyone else. There has been an entirely new economic development since the days when Teddy Roosevelt was trust buster.

We recognize what communications, the shrinkage of distance and time, the mobility of people means in marketing problems. But what we want to guard against, and what we would hope to get at here, is that in the accumulation of great concentrations of capital, we make sure that that capital is employed in the public interest as well as in

the protection of the rights of the small people and that it is not abused.

Bigness, as you have suggested, is not an equal. But bigness creates temptations for predators to forfeit or neglect a sense of responsibility to the people as a whole, to the consumer, to the producer. Therefore, we hope that we can set up guidelines or make sure that the guidelines now existent are adequate and are being adhered to and, in the cases of statutes, are being enforced in the spirit of the laws through the intent of Congress. Those are the purposes that we are concerned with and focusing on here.

MR. PATTON. Mr. Chairman, may I make just one more statement? As I recall it, the Congress of the United States has passed 16 different laws to investigate the spread between the farmer and the consumer.

And I know, of personal knowledge, that in one or two instances members of the executive branch have been threatened that their appropriations would be cut off if they continued the investigations on the spreads. This is intimidating power.

I hope that the investigations, whatever they may be, will not be turned over to the Department of Agriculture, and I have every confidence in Secretary Freeman. I think he is one of the great young Secretaries we have.

I hope that it will not be turned over finally to a committee of Congress, because you fellows have too much pressure put on you up here. It has to be somebody appointed by the President of the United States with enough money and enough independence that he can go into anybody's books.

But you are starting in the right direction, Mr. Chairman. I hope that you become a George Norris in this field, because I happen to like this country very very much, as you do, and I believe in it.

But we cannot afford to have predatory influences who are constantly intervening in the processes of decency and democratic economics. This has to be a continuing thing.

Senator O'Mahoney was cut off because of the war, because we had to make certain commitments to the big corporations of this country in order to get the production we needed and the kind of deals we needed to win the war.

But peace is breaking out, and we don't need to make those deals. It is time that we bring to brook or to bridge, or whatever you want to say, some of the people who are using their economic wealth and power to take unfair advantage of the American people.

Now Mr. Chairman, I would like to turn it over to Angus McDonald.

Thank you.

SENATOR YARBOROUGH. Mr. Chairman, I would like to, before Mr. McDonald starts, say a word.

SENATOR MCGEE. Senator Yarborough.

SENATOR YARBOROUGH. Mr. Patton, I have heard with interest your expressed determination to go to Wyoming. I want to point out that we have no immigration quotas on members of the Farmers Union in my State of Texas.

MR. PATTON. We are going to be working for you, Senator Yarbroughs. We are for you a million percent. If we can help elect you, we will.

Senator YARBOROUGH. Thank you, sir. There are more than 10 million head of cattle in the State, producers of meat on the range. We have a greater number of producers in Texas, a larger number of family farms, as you know, than any other State.

And the burden of these low meat prices, unreasonably low in relationship to retail prices, to all other factors in the economy, are depressing agriculture in my State more than any other simply because of the volume. The volume is large, too, in the overall agricultural production.

Agricultural production has a value of approximately \$2.5 billion a year, approximately \$1 billion of that being in livestock production of all types. We are suffering greatly and are greatly grieved by this situation. I want to say that we invite the investigation to be made.

We know that this investigation, if we can push it forward as we are attempting to, will cover not only the Plains country, but most of the States, because the raising of meat as beef has spread into most States of the Union now as a major part of agriculture. It is a sizable part of the agricultural economy in the majority of the 50 States.

Mr. PATTON. Thank you, sir.

Senator McGEE. I will put in the record at this point, because it is appropriate to your comments, Mr. Patton, a telegram from Joe Burke, the president of the Wyoming Wool Growers Association. This organization, as of yesterday, strongly endorses the activities of this committee on Senate Joint Resolution 71. I think this is a very important development.

(The telegram follows:)

CASPER, WYO., *March 23, 1964.*

HON. GALE W. MCGEE,
Senate Office Building, Washington, D.C.:

Your initiative in holding the current Senate hearings regarding chainstore meat-buying practices is greatly appreciated by the wool growers of Wyoming.

We sincerely hope your efforts will bear fruit in uncovering the reasons for the distressed position of the domestic livestock industry, and that necessary corrective measures be taken to protect both consumer and producer.

WYOMING WOOL GROWERS ASSOCIATION,
M. JOSEPH BURKE, *President.*

Senator YARBOROUGH. One other point you raised that I want to comment on. In the hope that this investigation moves forward, you expressed the belief that it would be better in other quarters because of the pressures on Congress. The pressures are here, but they are not political pressures that would keep us from doing something. Our pressures are of time, the inability to find minutes to do the job properly, the paucity of the staff and size and number of our personal staff and of the committees. I think the Congress of the United States is failing in many respects, and most of that failure, I think, is brought about by refusal to hire a big enough staff to really do the job.

Mr. PATTON. I agree completely with that.

Senator YARBOROUGH. The subcommittee ought to have an expert staff of accountants, economists, attorneys, et cetera, whoever does the investigation.

Mr. PATTON. I agree completely with that, Senator. And the great investigations in this country have been conducted by the Congress when there were leaders like Senator McGee and yourself and others who are willing to fight for them. The Norris investi-

gation, for example, broke wide open the whole TVA and the public power issue. I did not mean to infer by any means that the Congress was not capable of carrying on investigations. I just expressed the hope that there would be enough money and enough time, and I think what you young fellows have hold of here is something even greater than the chainstores, and I hope you will wool them around plenty because they need wooling around.

Senator YARBOROUGH. I think Congress has the ability and the will. I don't think the will is lacking in this generation, either. We have these tremendous numbers of things. I have a delegation of a hundred people from some of the trade unions in the city today that I am going to see this afternoon. We have at least four different groups from four different facets of our economy to take up problems today. So our problem is not the lack of will. One man who has been in Congress 40 years told me recently, "we had time to do things 40 years ago. But with the ease and ability of the planes, and good roads, there are so many people of my State to see that I get very little time for my congressional duties."

Those are the pressures we combat, the time to do these things.

Mr. PATTON. Thank you, Senator.

Mr. Chairman, I would like to defer, if I may, to Angus McDonald now.

Senator McGEE. Yes.

Mr. McDONALD. Mr. Chairman, I am Angus McDonald, associate director of the Division of Legislative Services of the National Farmers Union. I live in Washington, D.C.

I have a request, Mr. Chairman. I have a document in my hand entitled "Vertical Integration Trends, Particularly in Regard to the National Tea Co." This document has excited some interest in the quarters not normally interested in Farmers Union materials. I am wondering if this could be inserted into the record.

Senator McGEE. Without objection, it will be included in the record.

(The document referred to is as follows:)

VERTICAL INTEGRATION TRENDS, PARTICULARLY IN REGARD TO THE NATIONAL TEA CO.

(Supplement No. 1, Legislative Analysis Memorandum No. 58-8, prepared by Angus McDonald, associate director, legislative services)

Recently, various Government officials, organizations, and publications have predicted that within a short time 10 or 12 food corporations will control the entire food industry of the United States. The Poultry & Egg Producers Association, at a recent meeting, summarized their situation as follows:

"It is generally recognized in the industry that within a short time we will have possibly as few as 10 national firms to deal with at the grower level. The problem then is: What means can growers use to improve their position? How can they develop muscular bargaining power?

"This becomes very important in view of the fact that during the last year we have lost three major cooperatives in the broiler field. These co-ops were forced out by vicious competition. While in the business they provided alternatives for growers. Growers in these areas were able to express their views more freely. This is no longer true."

Recently an official of the U.S. Department of Agriculture is reported to have said that 8 to 10 food chains would control the food machine and that those concerned had better adjust to this "reality" or die. He suggested that certain laws be changed if their administration by the Congress and the Federal Trade Commission interferes with the trend toward economic concentration.

PATTON DEFENDS FAMILY FARMERS VERSUS MONOPOLY

Recently James G. Patton in a statement to the Family Farm Subcommittee of the House Agriculture Committee pointed out that "family farmers are being pushed into bankruptcy, their means of livelihood and their way of life threatened by factories in the field and by the great corporate chains, who have attained a monopoly position in food distribution, have reached into meatpacking, food processing and manufacturing and even into production in an attempt to monopolize the entire food industry of the United States. The continuation of the vertical integration trend will cause the farmer to lose control of his farm."

Patton called special attention to activities of giant firms such as the National Dairies Corp. and the National Tea Co. The National Dairies Corp. has been found guilty of violating the Clayton Act. The record indicates that Federal Trade Commission activity against this and other giant dairy corporations has slowed down the trend toward economic concentration. Dr. Willard F. Mueller, Chief Economist of the Federal Trade Commission, on action against these dairy companies said:

"It is precisely because many elements of competition remain in the food industries which make it imperative that top priority be given to insuring the preservation of such competition. I do not subscribe to the deterministic doctrine that irreversible technological and market forces make increasing concentration inevitable, or that existing trends toward concentration cannot be reversed."

FTC complaints against the Nation's four largest dairy corporations for violations of the Clayton Act actually slowed down concentration of economic power in the hands of these companies. Mueller said, "During 1950-56 the fifth to eighth largest dairies made 87 acquisitions; during 1957-61, these firms acquired 43 dairies; and during 1962 they acquired only 2 dairies."

"Yet the smaller companies continued to acquire other dairies, indicating that the main effect of the antimerger policy in the dairy industry has been (1) to prevent or discourage those firms from growing even larger via the merger route and (2) channel the direction of merger activity toward the smaller firms."

PATTON ATTACKS NATIONAL TEA

Patton commented in some detail regarding the activities of the National Tea Co. During the period December 17, 1962, to March 8, 1963, prices to farmers were depressed on the average of \$70 per head for choice steers of 1,000 pound weight.

The record shows that National Tea which operates a gigantic feedlot deliberately stayed out of the market during the period, causing prices to fall. It is significant that prices to the grocery store were not reflected in the drastic drop of livestock prices. Patton commented in regard to this situation:

"It is our contention that the combined buying, holding, and distribution power of the National Tea Co. not only helped them profit heavily by the January-February price break but contributed substantially to causing a part of the break by remaining out of the market almost entirely when prices were firm."

"When this condition is compounded by the American Stores, also owners of feeding operations, packing plants and retail outlets, Food Fair and others, a true 'free market' situation where supply governing factors and demand governing factors bring about 'fair price' is impossible to obtain."

"If the condition continues then chainstores alone will dictate both the price farmers receive and the price consumers pay without any regard to supply and demand factors."

The National Tea Co. has been charged by attorneys of the Federal Trade Commission with violation of section 7 of the Clayton Act which prohibits acquisitions if competition is adversely affected. Unfortunately the FTC did not charge the company with depressing livestock prices.

Since the livestock industry has been affected by the activities of National Tea, the Farmers Union Legislative Office has made an investigation of this company which no doubt will become one of the 10 or 12 companies to dominate the food industry in the years to come if predictions cited are valid.

NATIONAL TEA CONTROLLED BY A FOREIGN CORPORATION

In going through documents at the Federal Trade Commission and at the Library of Congress we found that National Tea is in fact controlled and to a large extent owned by a foreign corporation. National Tea is part of an

intricately organized complex of food manufacturers and distributors both in the United States and Canada.

National Tea and associate companies are controlled by the George Weston Co., which owns 50 percent of the voting stock in Loblaw Co's, Ltd. Loblaw Co.'s in turn control Loblaw Grocerterias and National Tea; owning 96 and 51 percent respectively of these companies.

Loblaw Grocerterias is the largest retailer of food products in Canada. It also, until recently, operated a chain of 285 self-service food markets in northern New Jersey, Pennsylvania, Ohio, and West Virginia. In September 1962, it sold 115 of these stores to National Tea.

Also mixed up with George Weston, Ltd., is Perrin Investment Corp., a holding company and All American Stamp Co. which recently purchased 34 percent of the National Tea Co. Also owned by George Weston, Ltd., is the Canadian Biscuit Co. The attached chart indicates the relationship of these companies.

The question arises who is responsible for the George Weston Co. Our investigation indicates that this company and all related and subsidiary interests are controlled by Willard Garfield Weston, formerly a Tory Member of Parliament. His present address is: Weston Centre, 40 Berkeley Square, London, W. I., England. Weston was born in Ontario, Canada, in 1898, where he took over his father's business in the 1920's. Weston has 400 supermarkets in England alone. He has built one of the biggest food businesses in the world. His food processing and retailing empire reaches into nine countries on four continents and last year ran up sales of \$3.4 billion. He is one of the world's biggest bakers and one of the three biggest grocers (the other two are A. & P. and Safeway).

Weston's father started the business but his son expanded it into possibly the biggest food business in the world. In the twenties Weston started buying up bakers, then flour mills, then supermarkets. In Great Britain his bakeries use every pound of flour produced by his mills. The Weston supermarkets sell 58 percent of his bakery goods. To complete his control, Weston also bought pulpmills to provide packaging. Some time ago Weston began moving into other countries. In 1958, when it was learned that he planned to move into Germany, 242 German grocers petitioned the Adenauer government to keep him out. They lost, Weston moved into Germany and now has 103 supermarkets there. He also has operations in France.

NATIONAL TEA TO DOMINATE FARM PRICES AND SUPPLIES

At the present time National Tea (controlled by Weston) operates directly or through subsidiaries, 932 retail grocery stores in 18 States. These stores are located in 400 cities and towns in an area extending from Canada to the Gulf of Mexico and from Colorado to Ohio. According to Federal Trade Commission records, it is the purpose of the National Tea Co., to control, completely, its supply in order to be relieved of the necessity of paying any attention to supply and demand. National Tea owns a warehouse in Chicago (637,000 square feet); a Denver, Colo., packing plant with killing capacity of 2,000 per week, a warehouse, bakery, and garage (378,000 square feet); a Fergus Falls, Minn., packing plant with killing capacity of 350 cattle and 3,000 hogs per week; a Detroit, Mich., warehouse office and distribution center; a Sioux Falls, Iowa, cookie and manufacturing plant and a Port Huron, Mich., packing plant with killing capacity of 200 cattle and 2,000 hogs per week. In addition, National Tea has 867 long-term leases on property in Indiana, Minnesota, Michigan, Wisconsin, Iowa, Alabama, and Mississippi.

NATIONAL TEA ACQUISITIONS IN VIOLATION OF LAW

Here are a few of the acquisitions of National Tea Co. which attorneys of the Federal Trade Commission charge are in violation of the law:

(1) In May 1957, National Tea acquired Miller's Supermarkets, Inc., which operated 27 supermarkets in Colorado and Wyoming and a warehouse and meat processing plant in Denver.

(2) In July 1957, it acquired Tolerton & Warfield Co. which operated 86 stores in Iowa, Nebraska, South Dakota, and Minnesota and a warehouse in Sioux City and which owned about 60 percent of stock in Johnson Biscuit Co. of Sioux City, Iowa.

(3) In October 1957, it purchases nine food stores in Nashville, Tenn., formerly operated by Logan Supermarkets, Inc., and seven in Mobile, Ala., formerly operated by Van-Horner, Inc.

(4) In January 1958, National Tea purchased seven food stores in Peoria, Ill., formerly operated by Illinois Valley Stores Co.

(5) In March 1958, it acquired Del Farmers, Inc., which operated 12 stores in Chicago.

(6) In April 1958, National Tea purchased three food stores in Colorado Springs, Colo., formerly operated as Food Bank Stores.

(7) In September 1958 they acquired three food stores in Kalamazoo, Mich., formerly operated as Kalamazoo Market Baskets. Also in 1958 they purchased individual food stores in Park Forrest, Ill.; Indianapolis, Ind., and Fort Dodge, Iowa.

(8) In October 1960 National Tea acquired William H. Heineman Bakeries, Inc., operating 14 retail bakery outlets in and around Milwaukee, Wis.

(9) In December 1961 they acquired Sure Save, Inc., which operated 11 stores in Chicago.

(10) In March 1962 they acquired 11 food stores from Red Owl Stores, Inc.

(11) In June 1962 National Tea acquired All American Stamp & Premium Corp. of New York which operates 114 stores in Youngstown-Pittsburgh area.

SUMMARIZING THE WESTON CONTROL

(1) W. Garfield Weston owns the majority control of George Weston, Ltd., a Canadian biscuit company.

(2) George Weston, Ltd., in turn, owns all the stock of Perrin Investments, Ltd., a Canadian holding company for various Weston interests.

(3) Perrin Investments, Ltd., in turn owns 55.7 percent of the voting stock of Loblaw Co., Ltd., also a Canadian holding company.

(4) Loblaw Co's., Ltd., in turn owns 97.9 percent of the common and second preferred stock of Loblaw Groceries Co., Ltd.

(5) Loblaw Groceries Co., Ltd., in turn, owns 60.8 percent of the stock of Loblaw, Inc., a New York corporation operating approximately 285 food and grocery stores in New York, Pennsylvania, and Ohio.

(6) Loblaw Groceries, Inc., also owns 51 percent of the stock of National Tea Co., an Illinois corporation which, with subsidiaries, operated a large chain of food and grocery stores in 18 States throughout the Midwest, South Central United States, and Denver, Colo., areas.

(7) In 1955 Loblaw, Inc., (New York corporation operating food and grocery stores in the United States) set up the All American Stamp & Premium Corp. as a wholly owned subsidiary. The 1956 Annual Report of Loblaw, Inc., stated, "The All American Stamp & Premium Corp., of New York, which started operations last year, handled our premium procurement program and double AA trading stamps."

(8) In June of 1961 Loblaw, Inc., transferred all the stock of all American Stamp & Premium Corp. to Perrin Investments, Ltd. (holding company for the Weston interests).

WORLD FOOD MONOPOLY AHEAD

Space does not permit us to record all of the activities and acquisitions of the group of companies controlled by George Weston, Ltd. In a few years if present trends are not reversed Weston, Ltd., and a few other companies will control the entire food industry of the world.

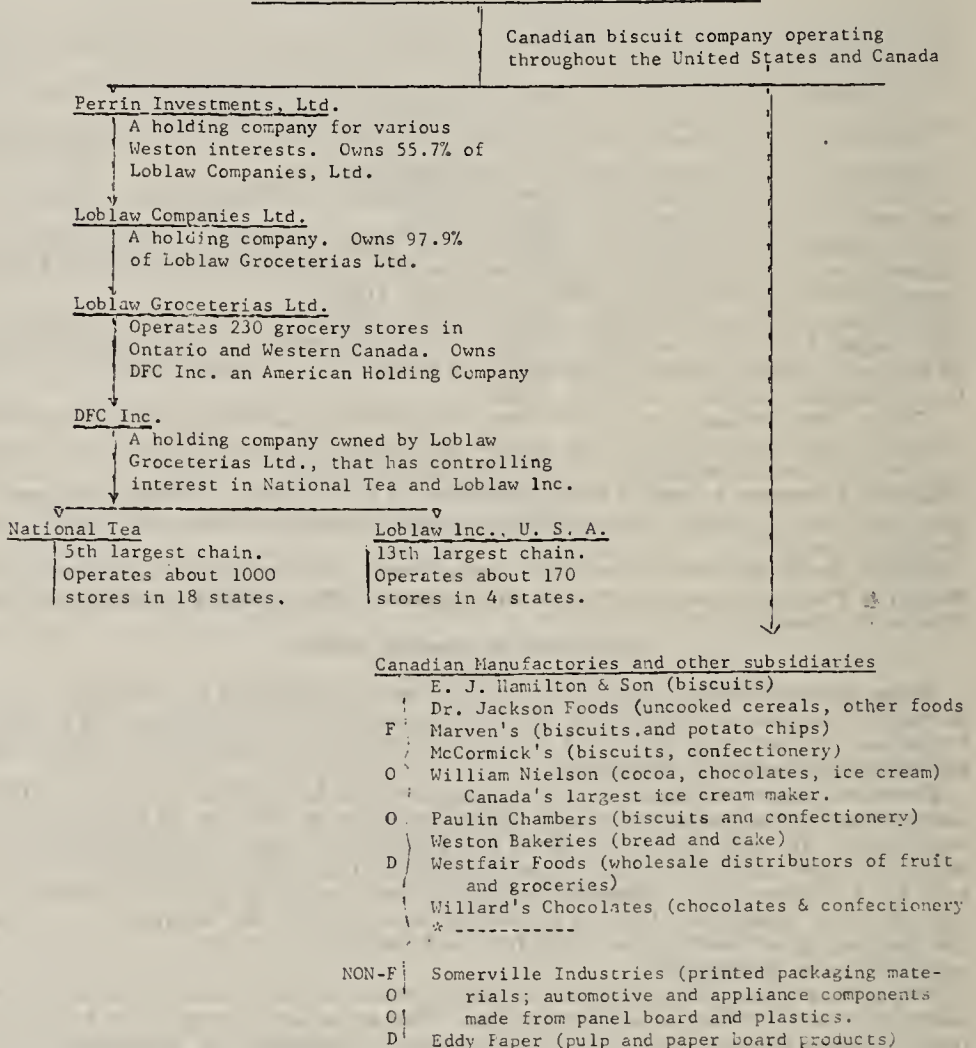
These companies will be able to dictate prices which the farmer receives. This simply means that farm prices will be driven down to the cost of production or even below. In 1962, Americans spent \$64.3 billion for food. The marketing bill, which included farm production expenses and the profits of the giant integrators, took \$51.7 billion of this. Family farmers at the present time are subsidizing not only the food integrators but the housewife who is under the impression that the low percentage of her income spent for food indicates that all is well with food production and distribution.

However, we know that in those instances where a few concerns get complete control prices have been sent skyrocketing. For example, when the big five packing companies secured control of the rice industry prices of rice increased 60 percent in less than a year. Ultimately private price control by a few large corporations will result in high prices for consumers, the destruction of the family farm with resultant unemployment and social problems, narrowing of the tax base and a situation which will be detrimental to the entire economy.

VERTICAL INTEGRATION SHOULD BE CONTROLLED BY FARMERS

It should be emphasized that the National Farmers Union is not opposed to vertical integration in agriculture if it is controlled by farmers. But we are opposed to outside groups taking over farm markets and dictating to farmers the prices they must take for their products. We do not believe that family farmers are inefficient or that their being disadvantaged in the market is proof that they are. American farmers are the most efficient in the world. Many studies indicate that the mechanized family farmer is more efficient than the absentee-owned corporate factory in the field.

The struggle over control of agriculture is not being determined by efficiency, but by the manipulation of prices by gigantic corporations such as National Tea. We fail to see how practices destructive of competition have anything to do with efficiency. Family farmers are not going to allow 10 gigantic corporations to take over food production and distribution. We will insist on and fight for fair competition in the marketplace. The purpose of antitrust laws is to preserve competition and protect the efficient. They do not protect the inefficient, as some spokesmen for the big corporations seem to think.

GEORGE WESTON LTD. - OPERATING AND HOLDING CO.* Diversified Companies of America

Formed in June, 1963 to acquire control of Fine Fair from Associated British Foods, also a Weston-controlled company. Fine Fair operates a chain of 275 supermarkets, 600 independent grocery stores and 5 department stores in the United Kingdom with estimated sales volume of \$250,000,000.

GEORGE WESTON LTD. - OPERATING AND HOLDING CO. (CONT.)U. S. Subsidiaries

Weston Biscuit Co., Inc.

Operates plants in 6 U. S. states:

Michigan, New Jersey, Virginia((Southern

Biscuit Co.), California, Washington

(American Superior Biscuit Co.), and Texas

Weston - Controlled CompaniesAustralia

Tip Top Bakeries

United Kingdom

see typed list

Operates 103 supermarkets in Germany.

Also operates in Ireland and France.

Source: As compiled from: Standard and Poor's Corp., O-T-C and Regional Exchange Stock Reports, Vol 29, No. 114 and 129, p. 4444; 1963 Moody's' Industrials; Time, October 26, 1962, p. 26; SMN October 14, 1963; Who Owns Whom (International Directory, 1961).

UNITED KINGDOM

George Weston Holdings, Ltd.

Associated British Foods, Ltd.

Allied Bakeries, Ltd.

Aerated Bread Co., Ltd.

W. J. Barton, Ltd.

Bertram & Co., Ltd.

Buszards, Ltd.

James Cottle, Ltd.

S. & A. Clemence, Ltd.

Associated Bakeries & General Investment Co., Ltd.

James Craig (Bakers), Ltd.

Alex. Currie & Sons, Ltd.

Bakery Holdings, Ltd.

Barrett & Pomeroy (Bakers), Ltd.

Boyce Adams, Ltd.

S. Bradford & Sons, Ltd.

W. A. Broom, Ltd.

F. Broomfield, Ltd.

Carricks' (Caterers), Ltd.

Backleys, Ltd.

Ideal Service (Purveyors), Ltd.

The Lakeland Bakeries, Ltd.

W. & J. McLintock, Ltd.

J. Meredith & Son, Ltd.

Riddle's (Low Fell), Ltd.

Hugh Robson, Ltd.

Tilley & Co., Ltd.

Thomas Brown (Newcastle), Ltd.

Whites of Jesmond, Ltd.

C. & C. Wholesale Grocers Holdings, Ltd.

C. & C. Metropolitan Wholesale Grocers, Ltd.

C. & C. Southern Wholesale Grocers, Ltd.

C. & C. Wholesale Grocers Croydon, Ltd.

C. & C. Wholesale Grocers Reading, Ltd.

C. & C. Wholesale Grocers (Scotland), Ltd.

C. & C. Wholesale Grocers Woolwich, Ltd.

George Weston Holdings, Ltd.—Continued

Associated British Foods, Ltd.—Continued

Chibnall's Bakeries, Ltd.

E. Cockson & Sons, Ltd.

The Coombe Bakery (Teddington), Ltd.

Thomas Coulton, Ltd.

Country Maid Bakeries, Ltd.

Arthur Davy & Sons, Ltd.

East of Scotland Bakeries, Ltd.

G. Embrey, Ltd.

Facchino's Biscuits, Ltd.

Fyson's Bakeries, Ltd.

E. Gaskell & Sons, Ltd.

C. A. & W. Goodbody, Ltd.

Chas. Hagenbach & Sons, Ltd.

S. Hickinbottom & Sons, Ltd.

Hill Bros. (Whittle-le-Woods), Ltd.

Howardsgate Holdings, Ltd.

Fine-Fare, Ltd.

Forrest Stores, Ltd.

Hunters the Bakers, Ltd.

Peter Keevil & George Walker, Ltd.

C. Bain, Ltd.

Dixon Gibbs & Sons, Ltd.

Hudson Bros., Ltd.

Peter Keevil & Sons, Ltd.

New Farm Eggs (Southern), Ltd. (A)

Redisale Foods, Ltd.

Rowallan Creamery, Ltd.

W. W. Holdings, Ltd.

John Wallace & Co., Ltd.

Western Margarine, Ltd.

John Wilson & Sons (Birmingham), Ltd.

John Jackson (Birmingham), Ltd.

London & Provincial Bakeries, Ltd.

Crowborough Bakeries Co., Ltd.

Royston Bakeries, Ltd.

Martins Bakery, Ltd.

W. G. McAulay, Ltd.

Ernest Melling, Ltd.

Merretts, Ltd.

J. Miller, Ltd.

Mitchell & Muil, Ltd.

William Kennaway, Ltd.

Kostulin & Purdie, Ltd.

West End Cafe, Ltd.

H. Moore (Confectionery), Ltd.

Neilson's Ice Cream Co., Ltd.

H. W. Nevill, Ltd.

John Newbould & Son, Ltd.

Oriental Cafe (Ipswich), Ltd.

A. H. Palmer, Ltd.

Parkers Bakeries, Ltd.

Pronto Foods, Ltd.

Provincial Merchants, Ltd.

Queensway Store, Ltd.

Thomas Scott & Sons (Bakers), Ltd.

Richard Sharrock & Sons, Ltd.

John Shentall, Ltd.

Smiths' Hawkhill, Ltd.

South Eastern Bakeries, Ltd.

A. E. Spurrier & Sons, Ltd.

S. J. Stanton & Sons, Ltd.

F. W. Stevenson, Ltd.

Stewart's Cash Stores, Ltd.

Reid's Bakery, Ltd.

Thompson's Bakeries, Ltd.

Tip Top Bakeries, Ltd.

George Weston Holdings, Ltd.—Continued
 Associated British Foods, Ltd.—Continued
 George Strathdee, Ltd.
 Sutton's Bakeries, Ltd.
 Benjamin Sykes & Sons, Ltd.
 Turner & Son, Ltd.
 A. Storer & Sons, Ltd.
 United Caterers, Ltd.
 Vitbe Flour Mills, Ltd.
 R. W. Beard (Essex), Ltd.
 Wales & South Western Bakeries, Ltd.
 John Wallis, Ltd.
 Welma Bakeries, Ltd.
 Welsh Country Maid, Ltd.
 Welwyn Bakeries, Ltd.
 Welwyn Department Store, Ltd.
 Weston Foods, Ltd.
 F. Bourne & Sons, Ltd.
 Burton's Gold Medal Biscuits, Ltd.
 Caledonian Oak Cake Baking Co., Ltd.
 A. E. Hicks & Co., Ltd.
 John Nicks, Ltd.
 Walters Biscuit, Ltd.
 Walters (West End), Ltd.
 West of Scotland Bakeries, Ltd.
 City Bakeries, Ltd.
 A. Colquhoun, Ltd.
 Walter Hubbard, Ltd.
 Weston Biscuit Co. (Belfast), Ltd.
 Weston Biscuit Co. (Edinburgh), Ltd.
 Weston Biscuit Co. (Slough), Ltd.
 Weston Biscuit Co. (Wales), Ltd.
 Weston Research Laboratories.
 Whittaker & Sons (York), Ltd.
 Hy. Whittle, Ltd.
 G. W. Whitton (Bakers), Ltd.
 G. Wilkins (1930), Ltd.
 W. E. Wilson, Ltd.
 Robert Wilson, Ltd.
 Young Bros. (Bakers), Ltd.

Source: "Who Owns Whom," 1961, pp. 432-433.

Mr. McDONALD. I refer also to the appendix of Mr. Patton's statement, the last few pages, in regard to the National Dairy Products Corp. We have compiled quite a few statistics. I call particular attention to this material.

I have a rather lengthy statement of Mr. Patton's. [Reading:]

Mr. Chairman and members of the committee, we are appearing here in full support of the resolution introduced by the Senator from Wyoming. The National Farmers Union for many years has urged an investigation of pricing practices of chainstores, middlemen, processors, and manufacturers which tend to disadvantage the farmer with resultant ill effects on the price of farm products. Because agriculture is almost completely competitive the farmer must operate in a free market economy if he is to realize the proportion of the national income to which he is entitled.

Except for very brief periods in our history the farmer has never received that part of the national income to which he was entitled. Even before 1900, those engaged in the processing, purchasing, distribution, and sale of farm commodities conspired to destroy the free market and force the farmer to sell his products at unreasonably low prices.

In the 1880's, the activities of the big packers was called to the attention of the National Government and laws were passed to prevent the Big Five from depressing the prices of meat, dairy, and other products. Although these earlier statutes alleviated the situation somewhat, abuses continued and the Department of Justice responsible for the enforcement of our antitrust laws acted to bring the meatpackers to the bar of justice.

To avoid the penalties called for in laws they were violating, the packers agreed to the famous "consent decree" of 1920 which prohibited them from going into the grocery business. Although this decree has not been enforced with complete effectiveness it broke up the food monopoly of the big packers and undoubtedly has saved both producers and consumers many billions of dollars.

Until the last few years the processing and distribution of food has been performed by hundreds of thousands of individual entrepreneurs. At the present time the industry is dominated by a few retail chains and a handful of processors and manufacturers.

The fact that a few large firms in any industry can dominate price is well known. Many hearings before various congressional committees, records in the Department of Justice, the Federal Trade Commission, the U.S. Department of Agriculture, and the courts have documented this fact.

A statement by the President of the United States on April 29, 1938, in a message to Congress has proved to be prophetic:

"Private enterprise is ceasing to be free enterprise and is becoming a cluster of private collectivisms masking itself as a system of free enterprise after the American model; it is, in fact, becoming a concealed cartel system after the European model."

We no longer have free enterprise in effect in the food industry. Farmers and ranchers are subjected to prices which are deliberately set and manipulated by the giant food chains. Although farmers in many categories have been penalized over the years by price manipulation of the chains the most flagrant and notorious example has occurred in the meat industry in the last 2 years.

We concur with the statement of the general manager of the Denver Union Stock Yard Co., that the Nation's cattlemen have suffered a \$2,500 million loss in values in 1963 and that \$1 billion of that loss was in actual cash out of pocket.

We suggest that these reductions in prices have not been passed on to the consumer. We do not intend to burden the record with statistics. Professional economists in the Department of Agriculture and the Federal Trade Commission will supply ample figures to prove this point.

However, one figure in the February 1964 Market and Transportation Situation attracted our attention because it seems to illustrate so well the proof of the above statement. According to this publication the price of choice grade beef at the retail level was, on the average, 78.1 cents during the 1957-59 period. The net farm value amounted to 55.3 cents.

In December 1963 consumers paid, on the average, 80 cents per pound for choice grade beef and producers realized, on the average, only 43.7 cents per pound. In other words, the price to producers has dropped substantially while the price consumers paid has risen.

Consumers today, despite the low proportion of their income spent for food are paying more than they have ever paid while the farmers and ranchers are receiving a smaller and smaller proportion of the consumer dollar.

The facts regarding the decline of farm income are well known. During 1963 according to Economic Indicators prepared for the Joint Economic Committee by the President's Council of Economic Advisers, farm operators received only \$12.3 billion net during 1963.

It is predicted that farm income will fall about \$600 million this year. The picture is clear, with profits at an all-time high, with wage earners and professional groups receiving relatively high incomes, agriculture is the only large category in our economy that is taking a beating.

We call the committee's attention to an action program which was unanimously adopted by the National Farmers Union convention convening in St. Paul, Minn., March 16-19, 1964—

Senator YARBOROUGH. Mr. Chairman?

Senator McGEE. Senator Yarborough.

Senator YARBOROUGH. Before Mr. McDonald reads that, I want to raise a point or two. I am forced to go up and serve as chairman to the Subcommittee on Public Welfare at 9:30.

Mr. McDonald, in connection with your statement on page 2 where you concur with the statement of the general manager of the Denver Union Stock Yard Co. that the Nation's cattlemen have suffered a

\$2,500 million loss in values in 1963 and that \$1 billion was actually cash out of pocket and another \$1 billion was from declining prices, I believe that the imported meat last year was 2,000 million pounds, roughly. Is that correct? About 2 billion pounds of imported beef?

Mr. McDONALD. My recollection is that that is an approximate figure.

Senator YARBOROUGH. I have heard it stated—I have read the statistics—that that was approximately 7 percent of the consumption of the country.

I would like to have these figures put in the record by you or the staff before this hearing is over. The total meat consumption in America during the year, in millions of pounds, if 2 billion pounds is about 7 percent, then, roughly, the consumption would be about 30 billion pounds a year in this country. It may not be, but that would be an approximation.

So, if that were so, if these depressed prices, artificially depressed prices, cost the grower 10 cents a pound, there would be \$3 billion loss right there.

What I want to get is some estimates on the number of pounds of meat consumption. Let's put this right down to dollars and cents if we can do it. I don't mean in the few minutes here. I realize you have to press on, because the Senate convenes at 10, and all the committees have to stop, and I must go to the other committee.

I think we ought to spell this out and come right down to prove it. Counsel can do it here with the means of research in Washington available to him through the Agriculture, Bureau of Labor Statistics, and all sources, to show that this is not just 1 year, but year after year.

U.S. meat consumption, imports, and value of consumption, 1957-63

Year	Total meat consumption (million pounds) ¹	Per capita consumption of total meat (pounds) ¹	Retail value of meat consumed per person ²	Total meat imported (million pounds) ¹	Per capita consumption of meat imports (pounds) ¹	Dollar value of meat imported (millions) ³	Meat imports as a percent of consumption
1957.....	26,729	158.7	\$85.49	543	3.2	\$162	2.0
1958.....	25,980	151.6	91.92	1,143	6.7	317	4.4
1959.....	27,819	159.5	92.50	1,353	7.8	380	4.9
1960.....	29,629	161.4	92.05	1,048	5.9	308	3.7
1961.....	29,045	161.0	92.77	1,325	7.3	368	4.6
1962.....	29,936	163.6	96.68	1,799	9.8	456	6.0
1963 ⁴	30,555	170.0	(4)	2,050	11.0	(4)	6.7

¹ Carcass weight equivalent.

² Computed from retail weights of consumption and retail prices of all beef, veal, lamb and mutton, and all pork (including minor pork products).

³ Import value is defined generally as the market value in the foreign country. It excludes import duties, ocean freight, and marine insurance.

⁴ Not available.

⁵ Preliminary.

It wouldn't take many years but that we would have a \$15 billion loss to that segment of our economy alone. I don't think we have to guess at this. I think this is a matter susceptible of almost exact proof, except this hidden iceberg that you mention later in your statement, that we just see a little of that above the surface.

I read the statement. It is a fine statement. You recommend an investigation to bring out most of this control of prices that is costing the stock producers so much, and that it is like an iceberg that is not seen.

The purpose of this investigation is to bring it out, wash it off, and let the public see it. I commend the chairman for his continued diligence in this matter.

I read the statement. It is a fine statement. You recommend an investigation to bring out most of this control of prices that is costing as one statesman in the presidency of what we might call a trade organization, more than that, a producers' organization, in representing our basic industry, agriculture.

MR. PATTON. Mr. Chairman, the distinguished Senator from Texas also comes from the home State of the Farmers Union. We were founded down there in 1902. We are proud of you, Senator Yarborough, and what you stand for.

SENATOR YARBOROUGH. Thank you, Mr. Patton. We are glad the Farmers Union was founded in Texas. Later on, the climate grew inhospitable, so Texas is no longer the leading State in numbers in the Farmers Union.

MR. PATTON. We are coming along. We will have more members.

SENATOR YARBOROUGH. I congratulate you. I am aware of the fact that some chapters went under. The chapter where the Farmers Union was founded has been in continuous existence since it was founded.

SENATOR MCGEE. The other day, Senator Yarborough and I were discussing the origin questions. I was bragging about Wyoming cows. He replied and reminded me that they all originated in Texas. Now we have the Farmers Union beginning in Texas. This committee is in for exploring something that didn't start in Texas.

MR. PATTON. There isn't anything that outlives Texas.

SENATOR MCGEE. Angus, will you proceed?

MR. McDONALD. Mr. Chairman, I will read the action of the National Farmers Union immediate action program. This was adopted unanimously on March 17, 1964, at St. Paul, Minn.

We, the delegates and members in attendance at the 62d Annual Convention of the National Farmers Union, are alarmed by the continuing decrease in farm prices and net income to the extent that our rural communities are being dangerously eroded while other major segments of the U.S. economy are enjoying increasing incomes and profits.

The trend of lower and lower farm family income threatens the entire national well-being.

A multibillion dollar income disaster facing the farm families of America, more than any other single thing, is blocking the revitalizing of the Nation's economy being sought by the President.

We are concerned, too, with recent statistics released by the Department of Agriculture which indicate we can expect little or no improvement in farm prices, but that an increase in farm costs is certain.

Plagued already by a high debt burden and social deficiencies in the rural area we, as farm people, call for immediate action by this Congress and the administration in Washington to bolster prices of all farm and ranch commodities.

MILK

Dairy producers are in a serious and deepening crisis. Pending adoption by Congress of an adequate program of direct payments to dairy producers, we urge immediate emergency action by the administration to raise the price support on manufacturing milk to \$3.40 per hundredweight.

LIVESTOCK

American livestock producers alone lost more than \$2 billion in 1963, and are continuing to sustain heavy losses. Although red meat imports have contributed to these losses they have been insignificant in comparison to the disastrously low prices forced upon producers by the large food chains through their monopoly power to administer prices to both producers and consumers.

To break up this growing monopoly power in the livestock industry and still retain competitive markets for cattle and sheep, we call for a thorough investigation of retail food chainstore buying practices, their degree of vertical integration into packing plants, feedlots and ranches, their power to influence, and subvert competitive free enterprise, and their power to increase the spread in prices between producers and consumers without regard to supply and demand.

We urgently petition the President to utilize the resources of the Federal Trade Commission and the Department of Justice to carry out such investigation, and should the findings reveal that the antimonopoly laws are being violated, we ask that court action, be brought against those food chains found in violation of the law, requiring that they be forced to divest themselves of their vertically integrated ranching, feeding, and farming operations.

We urge that suppliers offering products to the Secretary of Agriculture under any Government meat purchase program shall be required to disclose the prices to be paid by such supplier to the farmer-producer of such meat products and the Secretary shall give preference to the offers of those suppliers which reflect prices to producers approaching closest to parity.

WHEAT AND FEED GRAINS

Unless adequate wheat legislation is enacted by this Congress now, the administration should use emergency powers to prevent the 1964 wheat price support from falling below the 1963 level or hundreds of thousands of grain-grower families will face bankruptcy.

For the next referendum, the Secretary should peg the price of wheat as high as authorized under current law and raise feed grain price supports in relationship to the higher wheat prices. The referendum date should be set no earlier than July 15 and no later than August 15.

We ask for immediate action to establish adequate reserves of wheat, feed grains, and oil seeds, insulated from the markets, for domestic consumption, exports, and international development commensurate with the Nation's tremendously expanded commitments.

These reserves should be definite as to amounts, kinds, qualities and locations with assurance of stability of maintenance and with costs allocated properly to national defense, consumer welfare, and commerce as well as agriculture.

PERISHABLES

Vertical integration by large merchandisers has developed to the point that buying power for such perishables as fruits and vegetables is being concentrated in fewer and fewer hands. We call for all possible countermeasures by appropriate agencies of the Federal Government to provide effective producer bargaining power, including use of processing cooperatives, to save family farming and provide protection for consumers.

COTTON

We urge Congress to act promptly on legislation to keep U.S. mills competitive and to increase cotton producer income through direct payments to farmers.

CREDIT

High credit costs are defeating family-type agriculture. We demand that Farmers Home Administration be expanded into an up-to-date rural credit agency that will provide production and longtime capital loans at no more than 3 percent interest to bona fide family farm and ranch operators and qualified young people who want to enter farming.

CONCLUSION

We call all responsible citizens to heed the dire urgencies of the current farm conditions. The farm problem is also a city problem in that food and fiber are the concern of all. The severe disparity existing between farm and non-farm income is depopulating the countryside and piling up millions of people in the crowded, jobless cities. We are calling here for immediate action on minimum, emergency measures.

Unfortunately the American public is not yet aware of the marketing power and price manipulation exerted by chainstores in the food industry. At the present time 10 national food chains control over one-half of the beef that is marketed at the retail level in the United States.

The industry follows the price leadership of the big chains, consequently we have a situation which is similar to that in the steel industry. Actually there is more competition in the durable goods industries that are dominated by a few firms than in the food industry because chainstore policies have shown a rapaciousness and ruthlessness that is without parallel in our economic history.

United States Steel so maligned by various individuals is a nice gentle fellow as compared with National Dairy Products Corp., Foremost Dairies, National Tea, Safeway, and A. & P.

The time has passed when an independent in the grocery business can survive when the great chains have marked him for extinction. Only a multimillionaire can enter the business.

Testimony before congressional committees indicate that the door is closed to most independent food retailers in new shopping centers which are being set up throughout the United States. Financiers will not loan money to prospective grocery men unless they are committed to long-term leases and have AAA rating. This means that tenants must have a minimum net worth at least \$1 million.

So great is the market power of the great chains that they merely can sit on their hands for a week; that is, stay out of the market and bring about complete price demoralization. If they have plenty of hamburger on hand, if they have feedlots, if they have loaded up on the low-cost broilers, this is easy to do.

They can manipulate prices of beef, pork, chicken, they can run big ads making their surplus hamburger or broilers a special with the result that housewives by the thousands go into their stores.

Then they increase the prices on items other than meat products and experience a total net gain in sales and profits.

Practices of chainstores during the last few years have resulted in the closing of competitive livestock markets and in the bankruptcy of thousands of independent producers and distributors. Public competitive markets in the San Francisco and Los Angeles, Calif., area have been closed and others have experienced drastic declines in the proportion of livestock which they handle.

One of the significant developments during the last few years has been the entry of the food chains into the processing and production of beef. Some of the chains operate their own meatpacking plants where slaughtering takes place. Feedlots and slaughtering operations exist in Colorado, Nebraska, and other areas.

Absentee-owned corporation farms are also contributing to the concentration in cattle-feeding operations. The Kern Country Land Co., it is reported, is setting up a feedlot operation in Nebraska with a capacity of 120,000. Other examples could be given.

Mr. Chairman, I would like to refer to the unholy alliance between chainstores and certain national food processors; such as the National Dairy Corp., Borden, and others. During the last 10 years, we have had price wars all over the United States, contributing, no doubt, substantially to the poverty stricken condition of small businessmen, or those living in rural areas, dependent on small business, and farmers unable to market their milk, meat, and other products, because the processor and chain jointly had selected an area where it decided to go in and eliminate all of the small independent processors and small businessmen. These things have happened all over the United States.

In Indiana, Borden entered into an agreement with A. & P. Their affidavits indicate a conspiracy. Borden, by the way, one of the great national dairies, normally loses deliberately from \$250,000 to \$500,000 a year in price wars, but at the same time, because it is able to subsidize these price wars, it normally makes a net profit of more than \$25 million.

Another example was in Denver, Colo., where the chains, the National Dairies, decided they would eliminate the remaining few small grocery stores which accounted for less than 1 percent of the business in that city.

Another area in which price wars raged was in New England. In Boston, the milk commissioner, the chairman of the milk commission, there, said that price wars were ruining the milk industry.

In Washington, D.C., the Greater Metropolitan Washington, D.C., area, the National Dairies Products Corp. decided they would destroy the Maryland-Virginia farmers cooperative. They wrote individual letters to every member of the cooperative suggesting that the members deal with them direct and bypass the cooperative. They said that they could save both the farmers and consumers money. They did not explain how this could be done.

The farmers refused to abandon their cooperative. They stuck to the cooperative and National Dairies Products Corp. imported milk from Camden, N.J., where it was selling at 27 cents a quart, and dumped it in Montgomery County and other areas around the District where it could not import the milk at 22 cents.

In California, the House Small Business Committee has reported that a condition of feudalism exists between the farmers and the independents and those who were contracting and buying their milk.

In Florida, Borden, Foremost, National Dairies, and others carried on price wars. The result was that milk was sold for 19 cents a half gallon.

In the Louisville area, National Dairies carried on a price war and immediately after reducing prices in that area, raised prices in various cities to compensate its losses.

Chainstores should not receive all the attention in regard to price manipulation which forces farmers to sell their products below cost. Large firms in the dairy industry are equally guilty. Evidence indicates that National Dairies, Borden, and others have entered into conspiracies with chainstores to gain control of markets and bring ruin to dairy farmers and processors. A few examples will suffice to prove this point.

The Borden Milk Co., in South Bend, Ind., to gain control entered into an agreement with A. & P. They sold milk at the unheard-of price of 10 to 15 cents per one-half gallon.

In testimony before the House Small Business Committee it was indicated that Borden systematically subsidizes certain markets and because of its widespread operations enjoys a net profit of \$25 million or more while at the same time losing up to one-half a million dollars a year in markets which have been selected for destruction.

In the Denver, Colo. milk market, several years ago, a price war involving Beatrice Foods, Safeway, National Tea, and Borden forced small and independent dairies to sell home-delivered milk at below cost. The pretense was to meet the competition of small and scattered retail stores which constituted less than 1 percent of the market.

In the Boston, Mass. area public hearings indicated that chainstore-precipitated price wars resulted in the elimination of many small dairies. According to the milk control commission, selling below cost threatened to ruin the milk industry in New England.

In the Greater Metropolitan Washington, D.C. area National Dairies attempted to destroy the Maryland-Virginia Milk Producers Association which acted as a marketing agent for almost 2,000 dairy farmers. It sent individual letters to members of this cooperative urging them to not deal with the cooperative and sell direct. National Dairies suggested that it could pay farmers more and charge consumers less by using this method.

This effort of National Dairies failed since only 1 or 2 of the 2,000 farmers broke away from the cooperative. National Dairies then resolved to destroy the cooperative by importing milk from other areas. It transported milk from its plant in Camden, N.J., which was selling at 27 cents per quart, and dumped it in the Washington area at 22 cents a quart. The result of this activity was to destroy part of the market and force farmers to sell their milk for manufacturing purposes.

In the Sacramento and San Joaquin Valley, Calif. area the House Small Business Committee reported that an actual feudal system was in effect and that the major dairies who purchased raw milk from producers were arrogant and unfair and drew up their contracts in such a way that the dairymen were at the mercy of the National Dairies and were forced to sell an increasingly large proportion of their milk at the class II rate.

In the southeastern Florida area, Foremost, Borden, and National Dairy Products engaged in ruthless price wars, destroyed the market to the point that one-half gallons of milk were sold out of stores at 19 cents and in some instances at lower prices.

In the Memphis, Tenn. area supermarkets and chain grocery stores connived with National Dairies to force out of business small independent dairies. The House Small Business Committee observed:

The chain grocery stores appeared to be accomplices of the giant dairies.

In the Paducah, Murray, and Mayfield, Ky., area an investigation indicated that only one independent processor had survived depredation of nationwide chain dairies and that large nationwide food supermarket chains were cooperating with the large dairies with the result that the entire supply of fluid milk was for a time sold at prices below the cost of production.

In the Indianapolis, Columbus, and Muncie, Ind. area chain groceries used milk as a loss leader, selling it for as low as 38 cents per gallon. Affidavits from local distributors indicate conspiracies between chain-stores and large dairies.

In the Pascagoula, Biloxi, and Gulfport, Miss., area, Sealtest, a division of National Dairies, sold milk at 15 cents per gallon, less than the prevailing price. Testimony indicated that to get into this area, Sealtest had to transport milk 130 miles and cross two toll bridges.

Evidence indicated that Sealtest used the New Orleans market to subsidize such practices. A. & P. cooperated by ordering all of its local managers to put Sealtest milk in every store.

In the Detroit and Flint, Mich., area, large dairies went one step further resulting in outright racketeering. They forced independent retail routemen to purchase their routes and make full payment to large dairies involved.

Routemen testified that the large dairies were in cahoots with the large chain supermarkets, willfully hoping to eliminate home delivery service and concentrate the retail distribution of milk in the chain-stores. Letters and affidavits confirmed the fact that the milk price war in Detroit had driven prices to as low as 4½ gallons for \$1 plus the giving of huge discounts to big store stops.

In East St. Louis and southern Illinois fluid milk was offered for sale in the stores at the ridiculous low price of 10 cents per one-half gallon. Pictures were taken as evidence of the milk price war and are in the files of the House Small Business Committee.

In the northwest Arkansas area milk was actually given away to put small distributors and farmers out of business. In one retail store quarts of Meadow Gold milk distributed by Beatrice Food Co. were available without cost simply by surrendering a sale coupon taken from the local paper. This the committee said represents the most flagrant loss leader use of milk that the subcommittee has encountered and presents an example of apparent collusion between Beatrice Foods and chainstores.

In the Burlington, Iowa, area the committee reported that the supermarkets and chainstores were in collusion in regard to destruction of markets of dairy products and that their objectives were (1) the control of prices, (2) loss of milk as a loss leader, and (3) the elimination of the home delivery feature of the industry.

Among the most ruthless of the large dairies is the Adams Dairies which invaded certain markets in Missouri. Adams transported milk a considerable distance from the Kansas City area in a successful effort to wreck the farm and independent processor market.

Adams entered the Mexico, Mo., market and caused the price to drop to as low as 6 cents and 8 cents retail for a half gallon in paper carton. The record indicates the devastating effect of this price war. Adams entered Mexico selling to A. & P. and Kroger. Kroger immediately stopped buying from local dairies with the result it was reported that farmers lost their markets and were forced to pour their milk out on the ground.

Other evidence before the committee in connection with the Louisville, Ky., indicates that National Dairies systematically increased the price of its milk in other areas in order to step up the price war. After cutting prices 2 cents a quart in the area it increased prices by 1 cent per quart in Memphis, Tenn., St. Louis, Mo., Milwaukee, and Nashville, Tenn.

Testimony relating to the Dallas, Tex., price war indicates the real purpose of National Dairies. A representative called on one of the local dairymen and informed him that prices would be slashed the next day and the bottom would drop out of prices.

According to sworn testimony of one witness the conversation went as follows:

I said I would not be able to compete with that because I could not afford to lose money on my milk. He said, "Well."

I said, "If it gets too low, I will just have to quit the business. I guess the price would go back up." He said, "Yes; it would."

And I said, "Well then, I can come back in again."

He said, "Well, then we would wipe you out again."

For several years because of the practice of contracting, because of overproduction and because of the ruthless practices of chainstores this industry has become one of the most depressed in our economy.

It is ironical that the feed companies having taken over broiler production and reduced the farmer to the role of sharecropper now find themselves helpless because of the ruthless bargaining of chainstores. Processors under pressure from growers induced food chains to increase purchases in order to unload on them a surplus of broilers.

Below-cost prices were initiated as a temporary expedient since the broiler industry considered that such conditions would not continue. However, after the practice was begun it continued only because the food chains designed market strategy which would result in continued economy slavery of the industry.

An example indicates how the chainstore manages to bring about such a state of affairs. The Poultry Times, a reliable industry publication, reported that a local market chain had refused to buy broilers as long as the market was at 13 cents, claiming that the market was flooded.

Then as soon as the processor dropped his price to 12 cents the chainstores ordered 120 trailer loads of broilers. We believe that such practices are common in the broiler industry.

It appears that dictation of prices is common in other commodity markets. One of these is fresh fruit and vegetable industry in California which is dominated by the representatives of 15 firms concentrated in or near California Street, San Francisco. They have become known as the California Street buyers. Smaller canners of fruits and vegetables are faced with the concentrated economic buying power of these 15 who operate as a team.

The team dictates the prices. Small sellers and canners have serious problems of storage. They also have financial problems as well as the possibility of losing their product through spoilage.

When a smaller canner or seller suggests that the offering price is too low and even below his cost he is referred to as being "uncooperative." **An uncooperative seller does not fare very well in his dealings with the team. If he speaks out against the conditions, he is, according to testimony before the Small Business Committee, punished.**

The 15 members of the team have the advantages of modern communication. "There is a system of communication that is just utterly appalling. Word gets around immediately."

Hundreds of more examples could be given, all of them taken from the records of congressional committees and agencies of the Government. The question arises as to why such practices have been allowed to continue. The answer is that law enforcement agencies such as the Federal Trade Commission, the Department of Justice, and Packers and Livestock Division of the U.S. Department of

Agriculture have slender staffs inadequate to cope with the countless multitudes of violations or near violations of statutes enacted by the Congress.

A part of the answer is also that the Government agencies have been increasingly active in the last few years. Federal Trade Commission and the Department of Justice have done a great deal to insure a fair break for the farmers and independent businessmen in the marketplace.

Speaking at a recent meeting the Deputy Director of the Packers and Livestock Division commented on the great increase in the number of complaints from all sections of the poultry industry. There have been a multitude of complaints and actions taken in many instances in regard to other industries.

The FTC has recently acted to bring to account the National Tea Co., a chainstore subsidiary of the Weston interests, and possibly the greatest food monopoly in the world.

In conclusion, we urge approval of the joint resolution by the committee. As indicated, considerable evidence exists as to the unlawful, discriminatory, and destructive activities of the food chains. But we have only scratched the surface. A thoroughgoing investigation would reveal that part of the iceberg which cannot be seen. It would bring forth facts on which to base legislative recommendations and would, no doubt, check the countless activities of the chains and their allies.

This committee, this Congress must not permit the destruction of the livestock industry. Many thousands of livestock men are facing bankruptcy, not because they are inefficient but because they are caught in a giant scissors of high costs and below cost of production prices. We urge this committee to act now before it is too late.

All other programs of this administration are related to the plight of agriculture. We cannot successfully win the fight on poverty, or the fight for parity if we lose the battle of the marketplace.

(Material previously referred to is as follows:)

[From Fortune 1963-64 Plant and Product Directory of the 1,000 Largest U.S. Industrial Corporations]

NATIONAL DAIRY PRODUCTS CORP.¹

PRODUCTS

Egg processing	Jellies and preserves
Butter	Salad products
Natural cheese	Citrus animal feeds
Skim milk powder, low calorie diet base, lactose	Bread
Canned condensed milk and cream	Marshmallows
Bulk condensed milk	Confections
Ice cream mix	Fruit juice concentrates
Ice cream	Inedible grease
Processed cheese	Salad and cooking oils
Bulk fluid milk	Margarine
Bottled milk, sour cream	Vinegar
Cottage cheese	Sodium caseinate and lactate, protein hydrolysates
Yogurt	Fatty acids
Fruit salad	Glass containers
Orange juice	

¹ Docket 6651, National Dairies, Federal Trade Commission.

[From Moody's Industrial Manual, 1963]

PRODUCTS AND FACILITIES

National Dairy Products Corp. operates through two major divisions—Kraft and Sealtest Foods—manufactures or processes and distributes diversified lines of dairy and other products.

Kraft Foods Division manufactures and sells a wide variety of cheese and other food products through the United States, Canada, England, and Australia, and maintains extensive operations in Germany, Denmark, Sweden, Switzerland, Mexico, and Venezuela.

Kraft products include all types of cheese, processed and natural, domestic and imported; salad products including Miracle Whip salad dressing, mayonnaise salad dressings, tartar sauce, Miracle sandwich spread, barbecue sauce and mustards; three margarines (Parkay, Deluxe, Miracle), complete line of jellies and preserves; caramels, peanut brittle, marshmallows, fudgies, malted milk; Kraft dinners (macaroni, noodles with chicken, and spaghetti); and all-purpose oil.

Kraft's institutional line of products includes all consumer products and a large line of individual portion items, such as jellies, jams, sirups, catsup, cranberry sauce, etc., for restaurants and institutions.

Kraft also manufactures a line of industrial food products.

Kraft has sales and distribution branches in all principal cities of the United States and Canada. Bulk cheese plants are located in milk-producing areas and major processing plants are located in—

Chicago, Ill.
Hillside, N.J.
Decatur, Ga.
Garland, Tex.

Springfield, Mo.
New Ulm, Minn.
Buena Park, Calif.
Mount Royal, Quebec, Canada

Major producing facilities for Kraft foreign operations are located in Liverpool, England, Lindeburg and Fallingbostal, Germany, Port Melbourne, Australia, and in Mexico and Venezuela.

Sealtest Food Division operates through numerous milk and ice cream divisions. It manufactures or processes and distributes fluid milk and cream, cottage cheese, buttermilk, and other milk specialties at wholesale and retail and ice cream at wholesale in most of the large cities and towns east of the Rocky Mountains. Most of these products are sold under the trademarks, "Sealtest" and "Breyers."

In 1960, Sealtest also started production of orange juice and a special dietary product—900 calorie diet—for weight control.

Breakstone Food Division manufactures and distributes sour cream, butter, whipped butter, cream cheese and yogurt in New York, Philadelphia, Boston, and Miami.

Sugar Creek Creamery Division distributes butter at wholesale throughout the United States.

Humko Products Division refines, manufactures and distributes edible oils, shortening, and a number of allied products for institutional use. Its plants are in Memphis, Tenn., and Champaign, Ill.

Metro Glass Division manufactures a variety of glass jars and bottles at plants in Jersey City and Carteret, N.J., Washington, Pa., and Dolton, Ill.

Milk processing and distribution divisions operate receiving and milk product plants at points from which the subsidiaries operate.

A total of 194 ice cream plants are operated in 32 States and the District of Columbia.

A total of 113 cheese plants are operated in 23 States, and in Canada, England, Australia, Denmark, Mexico, Switzerland, and Germany.

Twenty-six butter plants are operated in eleven States.

Egg plants are in Chicago, Dallas, Texas, Davenport, Iowa, and St. Louis, Mo.

A bread bakery is operated in Baltimore, Md.

[From Fortune 1963-64 Plant and Product Directory of the 1,000 Largest U.S. Industrial Corporations]

PLANT LOCATIONS

SUGAR CREEK CREAMERY DIVISION

Arthur, Ill.	Knoxville, Tenn.	O'Neill, Nebr.
Bristol, S. Dak.	Louisville, Ky.	Pana, Ill.
Cape Girardeau, Mo.	Mansfield, Ohio	Peoria, Ill.
Indianapolis, Ind.	Mineola, Tex.	Russellville, Ark.
Kansas City, Mo.	Omaha, Nebr.	Salina, Kans.

BREAKSTONE DIVISION

Miami, Fla.	Syracuse, N.Y.	Youngsville, N.Y.
New York, N.Y.	Walton, N.Y.	

HUMKO PRODUCTS DIVISION

Champaign, Ill.	Chicago, Ill.	Memphis, Tenn. (2)
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METRO GLASS DIVISION

Carteret, N.J.	Jersey City, N.J.	Washington, D.C.
Dolton, Ill.		

SEALTEST FOODS DIVISION

Akron, Ohio	Farmdale, Ohio	New Orleans, La.
Albany, N.Y. (2)	Flint, Mich.	Norfolk, Va.
Altoona, Pa.	Florence, S.C.	North Lawrence, N.Y.
Amarillo, Tex.	Franklinville, N.Y.	Oneonta, N.Y.
Arnett, Okla.	Frederick, Md.	Peoria, Ill.
Asheville, N.C.	Hamilton, Ohio	Philadelphia, Pa. (4)
Atlanta, Ga.	Hartford, Conn.	Pittsburgh, Pa. (2)
Baltimore, Md. (2)	Heuvelton, N.Y.	Pontiac, Mich.
Birmingham, Ala.	Homer, N.Y.	Portland, Maine
Bronx, N.Y.	Huntington, Ind.	Richmond, Va.
Brooklyn, N.Y. (2)	Jacksonville, Fla.	Richmond Hill, N.Y.
Buffalo, N.Y. (2)	Kalamazoo, Mich.	Rochester, N.Y. (2)
Cambridge, Mass.	Kansas City, Mo.	St. Louis, Mo.
Camden, N.J.	Knoxville, Tenn.	Schenectady, N.Y.
Canton, Ohio	Lansing, Mich.	South Springboro, Pa.
Centerville, Pa.	Lawrence, Mass.	Springdale, Mass.
Chambersburg, Pa.	Leon, N.Y.	Syracuse, N.Y.
Charlotte, N.C.	Lima, Ohio	Tampa, Fla.
Chattanooga, Tenn.	Long Island City, N.Y. (2)	Toledo, Ohio
Chicago, Ill.	Louisville, Ky.	Washington, D.C.
Christiansburg, Va.	Memphis, Tenn.	W. Palm Beach, Fla.
Cincinnati, Ohio	Miami, Fla.	Wheeling, W. Va.
Cleveland, Ohio	Millerstown, Pa.	Wilmington, N.C.
Detour, Md.	Milwaukee, Wis. (2)	Wilson, N.C.
Detroit, Mich. (2)	Nashville, Tenn. (2)	Winston-Salem, N.C.
Englewood, Colo.	Newark, N.J.	Woods Corners, N.Y.
Erie, Pa.	New Haven, Conn.	Youngstown, Ohio

KRAFT FOODS DIVISION

Aberdeen, Idaho	Galena, Ill.	Oswego, N.Y.
Albany, Minn.	Gallath, Tenn.	Oswego, Kans.
Alexandria, Tenn.	Garland, Tex.	Owenton, Ky.
Antigo, Wis.	Greeneville, Tenn.	Paoli, Ind.
Batesville, Ark.	Hartford, Wis.	Paris, Idaho
Beaver Dam, Wis.	Heuvelton, N.Y.	Peru, Ind.
Bentonville, Ark.	Hillside, N.J.	Pinconning, Mich.
Berryville, Ark.	Houston, Miss.	Pocatello, Idaho
Blackfoot, Idaho	Hutchinson, Minn.	S. Portland, Maine
Boonville, Miss.	Independence, Va.	Prosser, Wash.
Brooksville, Mass.	Kendallville, Ind.	Rirle, Idaho
Buena Park, Calif.	Lafayette, Tenn.	Rome, N.Y.
Cadillac, Mich.	Lakeland, Fla. (2)	Rupert, Idaho
Canton, N.Y.	Lawrenceburg, Ky.	Sheridan, Ind.
Carey, Idaho	Lowville, N.Y.	Shirley, Ind.
Chehalls, Wash.	Malone, N.Y.	Sioux City, Iowa
Chicago, Ill.	Malta, Idaho	South Edmeston, N.Y.
Clare, Mich.	Manteca, Calif.	Springfield, Mo. (2)
Clarksville, Tenn.	Marshall, Ind.	Stockton, Ill. (2)
Clayton, N.Y.	Marshall, Mo.	Sulphur, Okla.
Corinth, Miss.	Melrose, Minn.	Toulon, Ill.
Dale, Ind.	Milan, Wis.	Troy, Vt.
Danville, Ill.	Milledgeville, Ill.	Uniontown, Ala.
Decatur, Ga.	Neosho, Mo.	Wausau, Wis.
Dunkirk, N.Y.	New Ulm, Minn.	West Jefferson, N.C.
Fayetteville, Tenn.	Omro, Wis.	Wittenberg, Wis.

Senator McGEE. Thank you, Mr. McDonald.

I would like to highlight two paragraphs by singling them out again and including them in the record again.

On page 9, the printed testimony, sworn testimony in the milk war that occurred in Dallas, Tex. The interchange reveals how one milk producer was simply told if he came back into the market he would be wiped out again by the combination of economic power that had come in control of it. That would begin with the paragraph starting "Testimony relating to Dallas," and concludes with the quoted conversations in the middle of the page. I would ask that that be included at this point in the record.

(The matter referred to is as follows:)

Testimony relating to the Dallas: Texas price war indicates the real purpose of National Dairies. A representative called on one of the local dairymen and informed him that prices would be slashed the next day and the bottom would drop out of prices.

According to sworn testimony of one witness the conversation went as follows:

"I said I would not be able to compete with that because I could not afford to lose money on my milk. He said, 'Well.'

"I said, 'If it gets too low, I will just have to quit the business. I guess the price would go back up.' He said, 'Yes; it would.'

"And I said, 'Well then, I can come back in again.'

"He said, 'Well, then we would wipe you out again.' "

Senator McGEE. Likewise on page 10 the phrase "An uncooperative seller does not fare very well in his dealings with the team." The team meaning 15 firms concentrated in or near California Street, San Francisco. If the seller is uncooperative, if he speaks out against the conditions, he is punished. We will want to come back to that at a little later time. I wanted those separated from the overall testimony for special emphasis.

Mr. PATTON. Mr. Chairman, if I may I would like now to present Mr. Lail Schmidt, president of the Rocky Mountain Farmers Union. He is president of the Colorado, Wyoming, Arizona & New Mexico Farmers Union, and a member of the National Farmers Union Executive Committee.

STATEMENT OF MR. LAIL SCHMIDT, PRESIDENT OF THE ROCKY MOUNTAIN FARMERS UNION, DENVER, COLO., PRESIDENT OF THE COLORADO, WYOMING, ARIZONA & NEW MEXICO FARMERS UNION, AND A MEMBER OF THE NATIONAL FARMERS UNION EXECUTIVE COMMITTEE

Mr. SCHMIDT. Mr. Chairman and members of this committee, we appreciate deeply the opportunity to appear here on a matter so important to farm producers and small business people as this problem of concentration of economic power developing in the food industry.

Our organization, representing 18,500 farm and ranch families in Colorado, Wyoming, and New Mexico, wholeheartedly supports Senate Joint Resolution 71 introduced by Senator Gale McGee, for farm producers of food are gravely concerned with vertical integration of food chains. This integration is concentrating farm markets in fewer and fewer powerful corporate hands.

As competitive farm markets are lost or become dominated by only a few buyers on a mass procurement basis for hundreds, and in some cases thousands, of retail outlets, the competitive pricing structure of livestock, produce, and other farm markets is being destroyed. When these competitive pricing mechanisms are destroyed, then true competition itself is destroyed, and the function of supply and demand is replaced with a pattern of administered or set prices. These administered prices are disastrously low to producers who have lost the bargaining power of competitive markets and high to consumers who more and more are confronted with mere promotional and not price competition in the retail marketplace.

Certainly administered prices and competitive market abuse and control by the giants of any industry are alien and destructive to the American concept of competitive free enterprise.

We will concern our testimony primarily with livestock as these producers have sustained a value loss in excess of \$2 billion during the past 18 months, which is a disaster of major proportions in rural America. Concentration of chainstore buying power and vertical integration, however, are imposing disastrous results also on the producers of poultry, eggs, dairy, and produce, and upon independent small businesses still trying to compete in food processing, wholesaling, and allied fields. See testimony before Subcommittee No. 5 of the Select Committee on Small Business, 1959-60.

Packer's consent decree: Department of Justice action in 1920, reaffirmed by the U.S. Supreme Court just recently, forced the four major meatpacking firms charged with monopoly control to divest themselves of ownership of stockyards properties and to refrain from the retail merchandising of meat and groceries.

This consent decree still stands, yet we have allowed a new and different generation of giants—the food chainstores—to engage in the same practices we found to be monopolistic on the part of the large packers in the twenties.

Not only do we permit chainstores to engage in the meatpacking and processing, we go a step further than the packers ever went and permit these giants to engage in cattlefeeding and the ownership of ranches.

Certainly the same provisions of the consent decree should be equally applied to the food chains today, forcing complete divestiture of their feedlots, ranches, and food-processing and farming activities which now give them monopolistic power over once-competitive markets in many phases of the food industry.

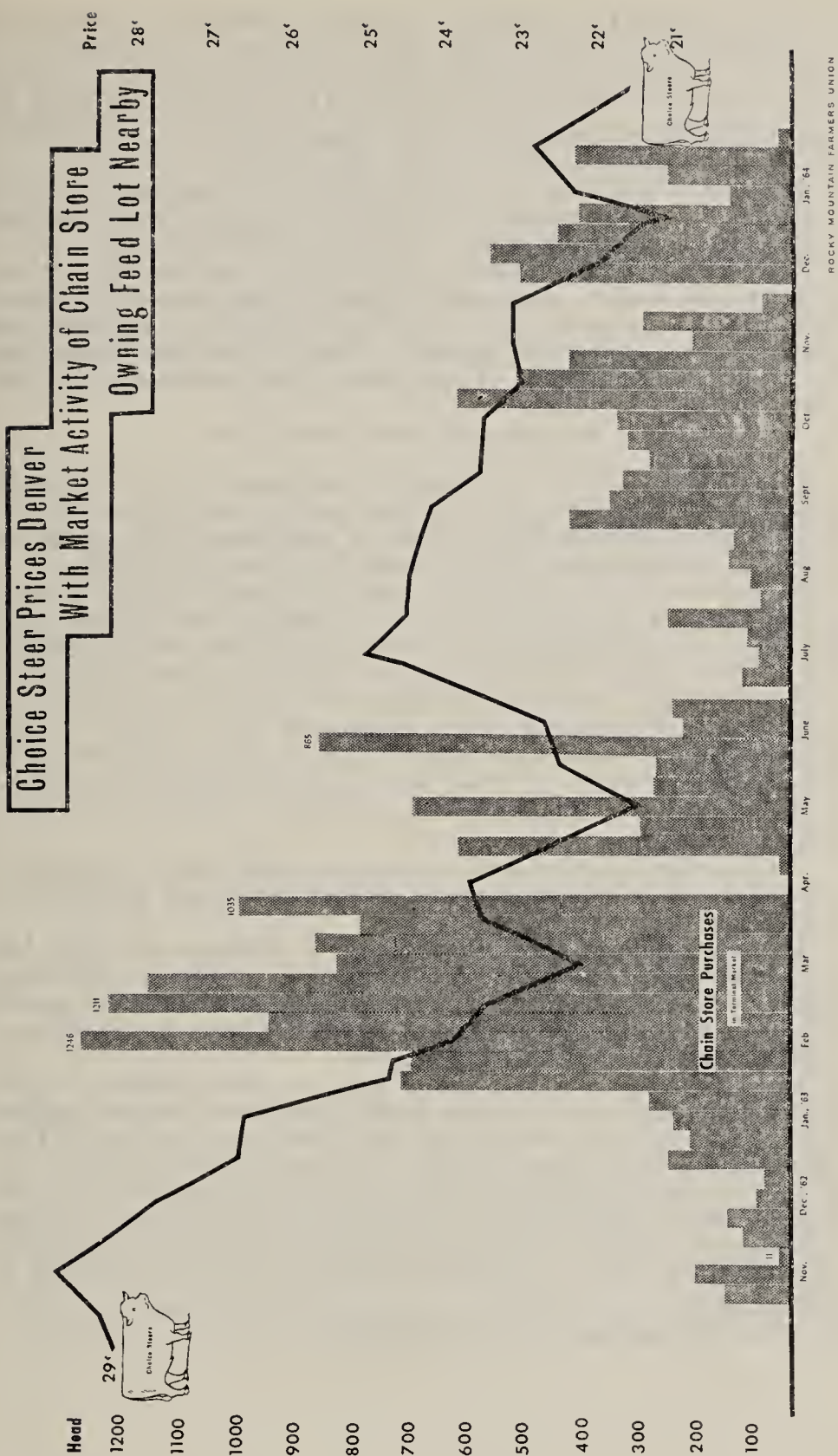
Studies made by the Rocky Mountain Farmers Union reveal that in the Denver market area large food chains and large feeding corporations, some integrated through contract with chainstores, now control approximately 50 percent of all fat cattle slaughtered in the area.

Three large national chainstores own feedlots now in our area, the National Tea Co. (National Food Stores), Food Fair, and Acme.

These chains, and those integrated through contract with large feedlots, are able, through the use of their feedlots, to buy on the market substantially when prices are low, or stay out of the market when competitive prices are firm. They are thereby able to enjoy all the advantage and all of the protection the competitive market provides every buyer and seller, yet use the power of their own feedlots outside the market to yield a market-despressing influence almost at will.

The pattern referred to above is revealed in the following chart which shows the activity of just one chainstore on the terminal market that owns its own feedlot nearby.

(The chart referred to above follows.)



Mr. SCHMIDT. This company, of course, made other purchases of cattle in the country during the same period, but such purchases outside the competitive terminal market can also be used to help lower prices paid on the market and determined by competitive bidding, for such outside direct purchases are based upon market prices established by fewer competitive bidders within the market.

The chart merely shows the monopoly-type advantage chainstores with integrated feedlots have in livestock buying, an advantage that can destroy competitive price-determining markets entirely.

The Safeway Stores' pattern of buying and processing is not one that utilizes feedlot ownership, a practice they have discontinued. The best description of this chain's practices of procurement was placed in the Congressional Record on February 19, 1964, by the Honorable Stuart Symington. This evidence has undoubtedly been presented here.

GROWING PRICE SPREAD RESULTING

It is difficult for farm producers or consumers to be expert on the causes of the growing spread between producer and consumer. Obviously some stores and some cities or even broad trade areas face different problems and different demands in marketing beef.

Average beef prices are hard to apply uniformly. We have kept a rather constant check in our own area, however, and choose in this testimony to use average prices at retail, which are most conservative and below national averages estimated by BLS and some others.

Even with our own most conservative estimates of averages which appear on the following chart: "Increased Price Spread Between Producer and Consumer as Result of Drop in Fat Cattle Prices, December 1962 to March 18, 1964," we find the growing gross spread at retail unjustifiable in face of the heavy losses sustained by producers the last 15 months.

The increased gross spread at retail reveals clearly the power of chainstores to "administer" prices without any regard whatsoever to supply-and-demand factors.

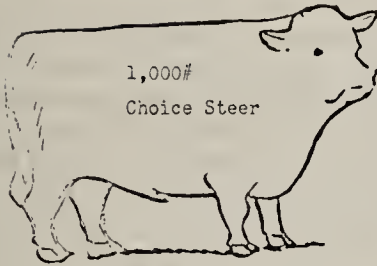
The chart simply shows that livestock producers generally have sustained a value loss of \$60 to \$80 per head on Choice 1,000-pound steers since December 1962, while retail food chains have increased the gross spread on the 465 pounds of retail cuts from the 1,000-pound Choice steer by more than \$102 per critter.

This estimated price spread is on just one grade—Choice—steers in just one market area. Greater spreads between producer and consumer exist on some lower grades and upon processed meat. These, of course, would increase average price spreads considerably.

This type of price administration cannot be acceptable in a competitive free enterprise economy, and certainly needs competent government study through the Federal Trade Commission to determine the degree of such price administration and to recommend methods for its correction.

(The chart referred to above follows:)

Increased Price Spread between producer and consumer as result
of drop in fat cattle prices Dec. 1962 to March 18, 1964
(Based on choice steer prices - Denver Terminal Market)

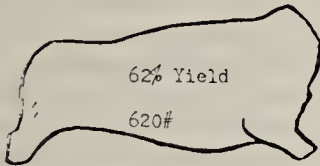


Prices Paid Producer
Denver, Colo.

Dec. 17, 1962	\$29.50
March 18, 1964	\$21.50

Value loss per head = \$80.00

Ave. producer loss \$20 - \$60.00



Prices Paid Packer

Dec. 17, 1962	\$45.50
March 18, 1964	\$34.50

Value loss per dressed
carcass 620# \$68.00



Ave. 26% trim shrink
465# Retail Cuts.

Prices Charged Consumers

Dec. 17, 1962 - 68¢ lb. (Ave.)

Feb. 17, 1964 - 68¢ lb. (Ave.)

Estimated Ave. gross spread on
465# of retail cuts \$102.20

Mr. SCHMIDT. Another factor in chainstore marketing power is their ability to move great quantities in relative short periods of time with produce and meat products, which in some cases are financed by the processor, until after actual sale. According to a copyrighted article by the Supermarket Institute, Inc., reporting the 26th annual convention of the institute on May 5-8, 1963, the following advice to supermarket department heads is set forth:

Investment: The supermarket industry is accustomed to having little, if any, money invested in meat inventories. Fresh meats are sold and the proceeds put in the bank before a check is written to pay for them.

To us this simply means little if any investment in a product upon which they have been able to realize an average gross profit in excess of \$100, and during the past 15 months a product upon which the producer who had a large investment involved took an average loss of \$20 to \$60.

At the University of Los Angeles in August of 1960, a Rocky Mountain Farmers Union representative had the privilege of serving as a consultant to the western regional project WM-40 procurement policies and practices of large-scale food retailers, a project carried out cooperatively by the Western States land-grant universities. That study found that efforts by retail food chains to reduce merchandising costs in order to present a more favorable earning record to stockholders, while at the same time meeting rising costs, have taken four forms:

- (1) Inducing suppliers to reduce prices on quantity purchases without lessening services or lowering quality.
- (2) Reducing procurement costs and prices by using such techniques as specification buying.
- (3) Using different, often their own, supply channels.
- (4) Inducing conventional suppliers to reduce marketing services and assuming the function for these processing services when the assumption of these operations benefited profit margins.

The combination of the economic power of a few controlling the buying mechanism for great quantities of food product with the power to dictate specifications gives the buyer power to administer the price paid to the producer almost totally unrelated to supply and demand factors.

LETTERS FROM BANKERS AND PRODUCERS

We are attaching to this testimony letters from key bankers in important livestock-producing counties in our region, which we respectfully ask to have included in the record.

You will note that these men who are in a position to know intimately the impact upon their communities of disaster-level prices to producers urge your favorable recommendation for Senate Joint Resolution 71.

Also included with these attachments is a reprint from Safeway News commenting upon the fact that the Safeway Corp. was able to increase its net profit after taxes in 1963 by 14 percent.

This financial statement when contrasted to the evidence presented before this committee relative to losses to livestock producers is indicative to us of the end results of administered pricing practices and the concentration of economic power in the food industry, which is proving beneficial to neither producer or consumer, but solely to the profit side of the chainstore ledger.

It is urgent, gentlemen, that action be taken immediately. Livestock producers and dependent businesses in many communities of America, as well as small businesses still attempting to compete in the food industry will fall by the wayside should a long drawn out study of 2 or 3 years be pursued by the Congress as a substitute for Senate Joint Resolution 71.

We feel that the Federal Trade Commission is well equipped by law to deal effectively with this problem. It has already in its posses-

sion invaluable facts and evidence of price administering in the food industry, and is staffed with skilled, impartial, and devoted personnel.

Gentlemen, we thank you very much for your concern with this important problem and your apparent desire to strengthen and preserve the competitive free enterprise system so vital to the continued strength of our democratic way of life.

We feel it will be strengthened by your recommendation in behalf of Senate approval of Senate Joint Resolution 71.

Livestock: In recent years, the superior financial power of large food chains and processing firms, combined with significant concentration of bargaining power among such firms as buyers of livestock, is rapidly supplanting open competitive prices with administered prices which are destroying competitive markets and impoverishing many producers. At the same time, consumers are not benefiting.

The problem has been intensified by the entry of some chainstores and many packers into cattle feeding and some ranching operations, where their presence constitutes monopoly power sufficient in many cases to depress and exploit normal livestock markets artificially.

As a result of such monopoly concentrations, livestock producers in the United States have lost between \$25 and \$70 per head on beef since December 1962. This power coupled with increasing imports, often by the same packers and chainstores engaged in price-depressing practices, has faced the livestock industry with a \$2-billion-producer-price disaster which cannot be tolerated in an economic society based upon open competitive enterprise concepts.

To break up this growing monopoly power in the livestock industry and still retain competitive markets for cattle and sheep without Government controls, we call for a thorough investigation of retail food chainstore buying practices, their degree of vertical integration into packing plants, feedlots, and ranches, their power to influence livestock markets, and the size of farm-to-retail price mark-ups in such firms.

We wholeheartedly commend President Lyndon Johnson both for his understanding of this problem and his expressed desire to correct these abuses. We most sincerely beseech the President, however, that he utilize every means at his command such as the effective resources of the Federal Trade Commission and the Department of Justice which are constituted by law with the power to enforce the antimonopoly statutes of the land and which possess the subpoena power necessary for adequate investigation of corporate practices.

If the findings warrant, we ask that antitrust action be brought against those large food chains found in violation of the law, requiring divestiture of their vertically integrated ranching, feeding, and farming operations.

In this regard, we support Senate Joint Resolution 71, sponsored by Wyoming Senator Gale McGee, authorizing the FTC to conduct a full and complete investigation of the purchasing, processing, marketing, and pricing practices of chainstores.

(The letters referred to follow :)

[From Safeway News, vol. 19, No. 3, March 1964]

SPECIAL SAFEWAY FEATURES

DIVIDEND DECLARED

A dividend of 45 cents per common share, payable March 30, 1964 was declared last month by the board of directors. Meeting at the Oakland administrative office, the directors also called the annual meeting of Safeway's common stockholders for May 19, 1964.

At the same meeting, the directors also declared dividends, both payable on April 1, of \$1 per share on Safeway's 4 percent preferred and \$1,075 per share on the 4.30 percent convertible preferred stock. All three dividends are payable to stockholders of record at the close of business on February 28.

Annual meeting of stockholders will be held at Baltimore, Md., on May 19.

OUR 1963 SALES

Our 1963 sales totaled \$2,649,711,512 as against \$2,509,644,155 for 1962, an increase of 5.58 percent.

Our net income for the year ended December 28, 1963, increased 14 percent over the net for the previous year, to a new high of \$44,815,905 which, after preferred dividends, amounted to \$3.50 per common share on the basis of preliminary unaudited figures. For 1962, net income was \$39,271,284, the equivalent of \$3.06 per share.

Net income and earnings per common share for 1963 are after deducting a charge of \$650,000, equivalent to 5 cents per share, to provide for conversion to U.S. dollars of Canadian assets acquired during the year. A similar charge of \$1,500,000 (12 cents per share) made against 1962 income was larger because of the decline in value of the Canadian dollar which took place during 1962, whereas there was little change in value of the Canadian dollar during 1963.

Taxes approximate \$50 million: The taxes on our 1963 net income will be about \$49,930,000, according to the preliminary estimate, after giving effect to a reduction in tax expense of approximately \$947,000, equivalent to 7½ cents per common share, under the investment credit provisions of the Federal Revenue Act. We will have a total investment credit of about \$1,972,000 against our 1963 Federal income tax liability, of which 48 percent (\$947,000) will be taken as a reduction of Federal income tax expense for 1963 and the remaining 52 percent (\$1,025,000) deferred to offset the effect of taxes on reduced depreciation allowances. For the year 1962, the total investment credit was \$2,057,383, of which 48 percent, or \$987,544 (8 cents per share) was taken as reduction of Federal income tax expense for that year. Income taxes for the year 1962 were \$44,055,000.

Preferred stock dividends in 1963 amounted to \$837,940 leaving a net earnings available to common stockholders of \$43,977,965, or \$3.50 per common share based on an average of 12,556,569 shares outstanding during the year. Preferred stock dividends in 1962 totaled \$903,203. The average number of common shares outstanding during that year was 12,530,768.

During 1963 we opened 113 new stores and closed 123 old ones, leaving 2,059 in operation at year-end. (See next month's Safeway News for a complete picture of "How we did in 1963.")

JANUARY SALES UP

Sales for the first 4 weeks this year were 5.5 percent ahead of the comparable beginning period of last year.

Our consolidated sales for the 4 weeks ended January 25 amounted to \$204,621,853 as compared to \$194,043,501 for the 4 weeks ended January 26, 1963.

So far this year (up to February 1), we have opened 11 new stores in the United States (including 1 acquired), closed 9; and opened 2 new stores in Canada and closed 4.

THE BERTHOUD NATIONAL BANK,
Berthoud, Colo., March 21, 1964.

Mr. LAIL SCHMIDT,
President,
Rocky Mountain Farmers Union,
Denver, Colo.

DEAR MR. SCHMIDT: This letter is in regard to the hearing before the Commerce Committee of the U.S. Senate pertaining to Senate Joint Resolution 71. This is a proposed resolution directing the Federal Trade Commission to investigate the buying practices and vertical integration of the national food chains.

This investigation is long overdue. The food chains, because of the efficiency created through their size, have been one of the phenomenal growth industries of recent times. However, this industry has reached the point where its inherent advantage is not efficiency as measured by lower cost of distribution but by pure and naked monopoly, not only in the distribution of food, but also the procurement of merchandise. There are many studies to clearly demonstrate that various items of food are not being sold to the consumer at competitive prices, such as meat, dairy products, and vegetables. At the same time, the centralizing of the buying power into a relatively few organizations has critically upset the established marketing system which has historically established the value of farm products. No longer is the free competitive market allowed to function according to laws of supply and demand. Instead the Ricardo "iron law of wage" is applied in the field of agriculture production.

The family farm as an economic unit cannot exist without a fully competitive market where values determined by cost of production are finally established. Therefore, if the impact of the chainstores is allowed to continue in the marketplace, a different agriculture society and economy will have to evolve. We can expect structure that will be less efficient and one that is geared to integration with the chains. This change cannot be excused on the basis of either economic or social criteria.

I do not believe that the managers of the national chains have a great deal of control over their unfortunate effect on our agricultural economy. They have powerful tools in their hands that must be used. It is not their fault that the production units of agriculture are scattered and unorganized; and what obligation does any one organization have toward the social structure of rural America? It is time we recognized that what is good for the national chains may have bad implications on much that is desirable.

Please convey my sincere beliefs in this matter to the Committee on Commerce. I can testify that the economic stability and social fabric of this agriculture community is deteriorating. Some way has to be found to make it possible for the farmer to bargain his crop on an equal footing with the buyer. It can be done, but it must be done soon. Once a farm family leaves its homestead, it does not return.

You deserve the gratitude of the farming community in presenting to the Commerce Committee our stand on this vital problem.

Sincerely yours,

LOUIS F. BEIN, *President.*

FARMERS SAVINGS BANK,
Shelby, Iowa, March 20, 1964.

Mr. LAIL SCHMIDT,
President, Rocky Mountain Farmers Union,
Denver, Colo.

DEAR MR. SCHMIDT: Our American family farm and its livestock feeding operations has been the envy of the entire world. Since it is highly efficient and gives incentive to the producer we are one of the few nations in the world without the diabolical specter of near starvation hanging over it. We can only imagine the terrible political instability which follows any situation where a nation's people are underfed.

Lately a foreboding nemesis has appeared on the scene which threatens the efficient but intricate American livestock industry. Cattle prices paid to the producer have dropped from 30 to 20 cents in the space of around 18 months. This would be like our autos dropping from \$3,000 to \$2,000 in the space of little more than a year. We can only imagine what would happen to our steel industries and our automotive industries if such happened to autos.

The manager of a farm elevator has just informed me on the phone that their business has halved or even less. Also the status of accounts receivable can only be thought of as in jeopardy by this catastrophic drop in livestock prices. The farm elevators are the backbone of the livestock feeding industry as they supply much of the feeding materials that the farmer doesn't raise.

Gas and machinery dealers have also been hurt. They supply the instruments by which farmers produce the raw materials they feed to livestock. These raw materials are in the form of corn and roughage such as hay and silage.

Our livestock producers can't understand why their severe losses have not been reflected more at the retail level. If retail meat prices were lower the consumer would most certainly benefit and the livestock producers would benefit by lower supplies brought on by increased consumer buying.

Also livestock producers are shocked at the high rate of beef imports. What gain we may get on the international level will most certainly be offset by damaging one of our great basic industries, the livestock feeding industry. Our livestock feeding industry has been one of our greatest showcases of the free world and to damage it would most certainly damage our image to the free world.

Sincerely,

THOMAS M. STOKER.

Mr. SCHMIDT. We are vitally interested in the discussion that you have heard here due to the fact that we have more members interested in the livestock production field than the entire membership of the American National Cattlemen's Association.

Senator McGEE. Why do you say that? I thought you were a group of small farmers? When we think of farmers we think of tilling the soil.

Mr. SCHMIDT. This is right. But we are also interested because this is the heart of the livestock industry of the United States: Wyoming, Colorado, New Mexico, and Arizona.

Senator McGEE. I understand on some of these farms—correct me if this is in error—that even though these are not the big cattle spreads, the small number of cattle that each one of those farmers has makes the difference. It can make the difference in his staying in business or going out of business, and when there is a drop in cattle prices he is the man who is hurt the most.

Mr. SCHMIDT. This is right, and this is very vital to these people in this diversified agricultural pattern.

I might say too, that I want to enter a personal factor in this, since I am also a producer myself. I have been in the farming and ranching business all of my life. So this is a very personal thing with me. My home is at Lamar, Colo.

In going through what has happened since January or December, say, of 1962, since I am in the cattle business, and run cattle both on the range and put them through the feedlot—and by the way I have some going to market right now, so I am vitally interested in this, as to whether I stay in this business or whether I don't—

Senator McGEE. The cattle you are sending to market now, or soon, I assume—what is your profit going to be? Are you going to make money on them?

Mr. SCHMIDT. Oh, no. Let's talk more about what my loss is going to be per head. That is what I am interested in.

Senator McGEE. I was trying to keep this on a cheery note. Apparently there is none.

Mr. SCHMIDT. I would like to keep it that way, Senator, but it is just not that. It has to be the other way.

Senator McGEE. Can you supply for the record what your spread of loss is likely to be? You can't fix it for sure until you know what you get for them?

Mr. SCHMIDT. No, not until we have the data. I would be reluctant to state at this time. I might say, though, that the thing that brought me so interested to this was in December 1962 I sold Choice cattle for \$29 per hundredweight. Now I am receiving from \$19, \$19.50, and the top so far has been \$20 to \$20.50. Whether this holds will be the determining factor on what my loss factor actually is.

Senator McGEE. In other words in 1 year and 3 months, roughly, the drop in your area has been nearly \$9?

Mr. SCHMIDT. That is right. Then, when we look at the whole issue to see what has happened here—and this is the only way that I look at it as a producer—has this been reflected on to the consumer. This is the point that I want to bring out before this committee now.

We will start with a chart in our testimony that shows the buying practices of one chainstore on the Denver Union Stockyard. If you will note this chart begins in 1962—November 1962. And each bar on this graph indicates 1 week's purchases on the Denver Union Stockyard. And you will note that when these cattle that I spoke of at \$29 in December 1962, look where the purchases were in the Denver Union Stockyard of this particular chainstore.

Senator McGEE. In other words when the cattle grower was getting his best break, the terminal market purchases on the part of this chain were almost nonexistent. It shows here on the chart they were at one time less than a hundred head per week.

Mr. SCHMIDT. Yes. You will notice here on 1 week's buying they bought 11 head. Now, when the price broke and went down, if you will follow the chart, on the live market they broke and went down to about \$22 or along in there. Then the increase in buying by this same chainstore. Then if you follow this clear on through up to the present date, what does this mean to me as a producer? This is what it means to me, and some people might say, well, this has no bearing what they buy on the Denver Union Stockyard because they brought them in the country direct or from some other source. But, the thing that affects me is that even though they come to the country and buy my cattle directly out of the feed yard, the price that they pay me is based on Denver Union Stockyard prices. So this is vitally important to me when they either lay off or come into the market.

Senator McGEE. Let me see if I am correct in understanding you. What you are telling the committee is that this very large chain with its mass purchasing power, by refusing to buy, by not purchasing on the market, contributed to the breaking of the cattle price, and that even though that chain may have made up its meat needs through direct buying in the country the price that it paid was still determined by this sharp break in the cattle market that, according to the chart

at least seems to have followed directly the withdrawal from the market purchases on the part of this chain.

Mr. SCHMIDT. That is right. That is right.

Now I would like to go on to another chart that we have prepared, and it is also with our testimony.

Senator McGEE. Let me add, before you leave that chart, Mr. Schmidt, that the rest of the chart shows, up to January or the first of February this year, a repetition of these ups and downs in the cattle market that bear a direct ratio on the chart to the buying practices of this chain which you singled out here. Whenever the chain lays low, as it were, the market falls, and then it reenters the market in order to pick them up at this low price.

You are saying that as a cattleman, a farmer, that no matter how they may approach you to purchase, you are the one out of whose hide comes this so-called savings in costs of beef.

Mr. SCHMIDT. This is right. There is no way to get away. But regardless of where these cattle are purchased, they are purchased on the basis of what the market is at the central marketplace. So we can't get away from that feature.

The next step then that I want to know as a cattle producer, is just where is this difference going. Is it being reflected on to the consumer? Or just what is happening here?

Then we have this chart that is attached to our testimony. It shows you the dressed beef price over this same period of time, and it also shows you the live steer price over this same period of time.

At the bottom of the chart it shows you what has happened at the retail level. Then, when I see this, and we took here just Choice grade of meat, and this is a very conservative estimate all the way through this thing because it is based strictly on Choice, but look at what the price of round steak was at the beginning when cattle were \$29, and now what they are when they are down to what I have just told you I am selling cattle for today.

The same identical price, clear across. And these are not just guess figures; these are authentic figures based on wholesale and retail prices.

This indicated something else to me as a producer.

Senator McGEE. Let me interject at that point, to make sure the record shows the point. The chart that you have just referred to on the price for fat steers, shows it declining almost regularly, constantly, throughout the chart. But the line that reflects the price to the consumer, it is almost as though they had drawn that line across the prairie. It is a steady line. There is virtually no decline whatsoever.

Mr. SCHMIDT. That is right.

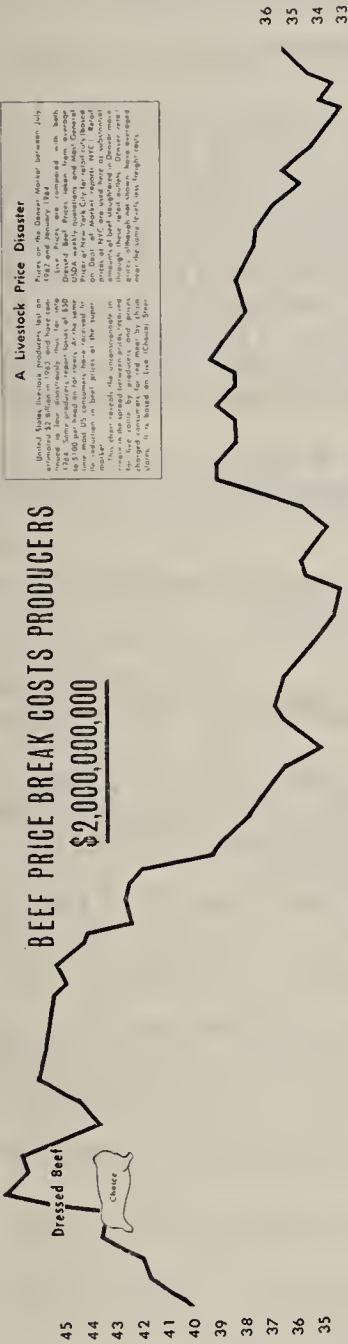
Senator McGEE. So the point you are making is that even though the prices have fallen at the producing end, this has not been passed along to the consumer at the retail end?

Mr. SCHMIDT. This is right.

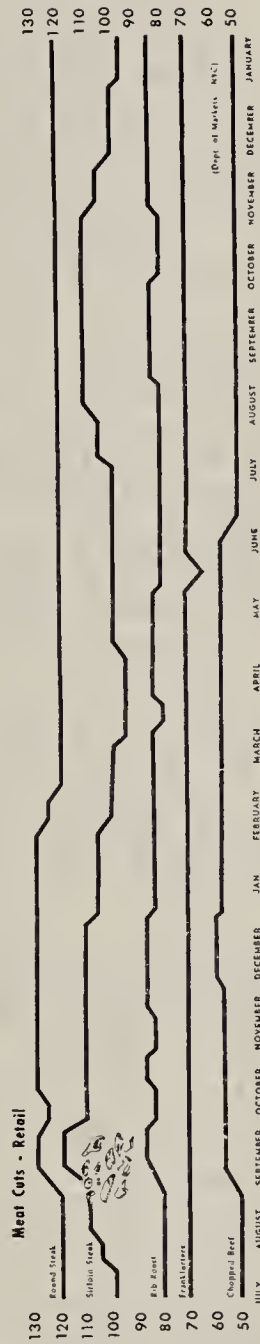
A little later in our testimony I would like to add some figures that would substantiate just what we are talking about here. Before I do I want to go on to this other chart that is in our testimony on page 6 of our testimony. Here again there is a real conservative chart in our estimation because we are dealing strictly with Choice cattle beef all the way through. We are taking a Choice quality steer. It is self-

BEEF PRICE BREAK COSTS PRODUCERS

\$2,000,000,000



Based on Dresser live market, NYC Beef market (average AMS USDA weekly quotations)



(Dept. of Market, NYC)

A Livestock Price Disaster

Based on the livestock producers' loss on the market, the price of live beef cattle has dropped on their distribution, now for one of the lowest in the history of the industry. The price of live beef cattle has dropped from \$1.00 per head in the past to \$0.50 per head in the present. The price of live beef cattle has dropped from \$1.00 per head in the past to \$0.50 per head in the present. The price of live beef cattle has dropped from \$1.00 per head in the past to \$0.50 per head in the present.

explanatory. When you get down to the bottom of the chart, while we are losing whatever this figure is—and I know some cattle are losing as high as \$80 a head, some may be only \$40, \$50, or \$60—I don't know of any down in that bracket at this time but I know plenty in the \$60 to \$80 bracket—here we have a \$102.20 spread that is being marked up to this particular case.

Senator McGEE. When you talk of \$102.20 spread, you mean a spread between what?

Mr. SCHMIDT. We take here the thousand pound steer and we bring it down in the normal channels of what a processor breaks it down. You notice here now that the price paid to the packer—see this item right in the middle. Here is one figure, December 17, 1962, March 18, 1964. This gives you a value loss per dressed carcass on this dressed-out proposition here, of \$68. Then the price charged the consumer is at the bottom. Here we have taken out an average of 26 percent trim and shrink. This is a conservative figure also. And then we wind up with 465 pounds of retail cuts of meat after all of these have been taken out. And then the estimated average, gross spread, on 465 pounds of retail cuts, is \$102.20.

Senator McGEE. That \$102.20, to be sure I am clear, is the spread between the price paid the packer and the price that the consumer is charged?

Mr. SCHMIDT. Right.

Senator McGEE. That is the spread. It is not between the cattle grower and the consumer. This is just the packer?

Mr. SCHMIDT. Right.

Senator McGEE. That is \$102.20. You keep referring to the fact that this is a conservative figure. That sounds like a pretty liberal spread to me. That is a big one.

Mr. SCHMIDT. I might say here that we have seen estimates that figure this on the same basis and their estimates are as high as \$158. I am not going to contend to use that at the present time because we are basing this on actualities of Choice cuts of beef.

Over here, on this 26 percent shrink, we have taken all of that out and thrown it completely away. But we know this isn't done. We know that this suet comes back into hamburger and bologna and all this kind of stuff. But we threw it away.

Senator McGEE. You are not counting that in the \$102.20 spread?

Mr. SCHMIDT. No, sir. We have thrown it plum out of the picture. So I say this is a very, very conservative picture. But we want to be fair in every respect to everybody involved.

Senator McGEE. If there is any error in your figure it is that it is too low?

Mr. SCHMIDT. That is right. It will be an upward figure, and I want that to be clearly understood.

At this time I would, Mr. Chairman, like to call on Mr. Bickel to present something here that will verify just what we are saying, that this is conservative. Mr. Bickel?

Senator McGEE. Would you identify yourself for the record?

STATEMENT OF MR. GEORGE BICKEL, ASSISTANT TO THE PRESIDENT OF THE ROCKY MOUNTAIN FARMERS UNION, DENVER, COLO.

Mr. BICKEL. I am George Bickel, assistant to the president of the Rocky Mountain Farmers Union from Denver, Colo.

One reason this is a very conservative figure, and one reason the chainstores in their testimony before the House Subcommittee on Livestock yesterday, I believe, said there have been reductions, is this matter of what they do with grades. Here is an ad in the Easter paper "Superright quality." No consumer knows what quality this is.

Senator McGEE. What is this called?

Mr. BICKEL. Superright quality, which means it isn't Choice. Maybe this is a Good grade. It could be high, it could be low, it could even be utility as far as the consumer would ever know. That isn't advertised in here at all. This might be from a \$20 cheaper heifer, you see, or steer. Here is another large one in the Evening Bulletin in Philadelphia on a meat sale in which they call it "PSG brand and U.S. Choice grade, 59 cents a pound." There again you see you are not following this matter of USDA Choice grades.

Senator McGEE. Is it watered down; is it mixed so that it is a lower grade actually?

Mr. SCHMIDT. It is a cheaper grade of meat.

Senator McGEE. Are they playing on words for the housewife's benefit?

Mr. BICKEL. No; because I am afraid, unfortunately, one of the problems on meat, the housewife doesn't know what this means. This is their own grade. But it can utilize Good grades which are cheaper grades than Choice. So this is just Choice beef. It is following the one steer right through. It is very conservative and it is still \$102 gross markup on a product that the producer lost \$20 to \$60 on. And this is profiteering in any business, in my opinion.

Thank you, sir.

Mr. SCHMIDT. I would like to go on here now with our testimony because we are running out of time. Going on down, we are now getting to the point, Mr. Chairman, where we seem to be hitting a keynote or a vital nerve someplace along the line, because of the fact that this break in livestock prices, in the loss that we as producers are now taking, we are finally breaking through to the point that we are getting to the consumer that not only we are taking a loss, they are being taken.

And this I want to emphasize and reiterate because if this loss that we are sustaining in our livestock production at this time was reflected on to the consumer, we would very, very quickly come out of this thing due to the processes of democratic free enterprise system of marketing.

Senator McGEE. That is, if the retail price of beef were cut, the housewife would buy more beef; is that what you are getting at?

Mr. SCHMIDT. Right. This whole theory, and this has been projected to me, Mr. Patton and to you, we don't want to break the price of meat to the consumer because if we do it will be difficult to ever get it back up.

This might mean a lot to some people, but to me as a producer this is a bunch of hogwash because if I am going to go broke, I couldn't care less what the price of beef is after I have gone broke in this profession or business, whatever you want to call it.

Senator McGEE. For purposes of this hearing we will call it "beef wash."

Mr. SCHMIDT. This is right, whatever you want to call it.

Sometimes I get a little wrapped up on this thing. When your whole life profession is hanging at stake, as mine is today, and you

are bleeding out of both nostrils, you get a little bitter taste with some of the asinine remarks that come out of some of the sources that they are coming from today.

So if you will excuse me for getting a little geared up at times, this is the reason I get in this state.

I want to go on, and I would ask Mr. Bickel again to enter some more into the record here that we have not entered in at this time. I want you to know this: That we have some letters here from individuals, and from bankers, and they are fully typewritten and signed by these individuals. They have given us the right to enter them in the record. But for, we might say, the interest that I would submit, if I was in this condition, and I might be very shortly, I would like to present these to the committee for the committee's consideration.

Senator McGEE. Do you mean these letters would reflect the very marginal financial conditions of these letter writers?

Mr. SCHMIDT. That is right.

Senator McGEE. Is it your intention to refer to these letters?

Mr. SCHMIDT. We would just like to submit them to the committee for your consideration.

Senator McGEE. I am wondering why we don't make them a part of the committee files, so that the committee can refer to them without printing them in the record in order to protect the names of the letter writers. They will be here for the committee to examine.

Mr. SCHMIDT. This we would appreciate.

Senator McGEE. What do those letters purport to show?

Mr. SCHMIDT. I would like Mr. Bickel to go through some of these, just briefly.

Mr. BICKEL. Very briefly, this type of highlight, and these are affidavit-form letters:

I stand to lose approximately \$8,000 on this enterprise.

Another:

My banker did not feel they could continue to finance my operations and have referred me to the FHA.

Another:

I was referred by my banker because they did not feel they could continue to finance my operation due to lack of income on livestock.

Another:

Will lose \$6,314 on my feeding.

These are all men, and we could have a good many thousands of such letters with a little bit of effort, of men who are on the verge of bankruptcy.

Tying in at that point is a statement on page 11 of the increase in net earning of the Safeway Stores Corp., and the evidence is a photostat from the Safeway News, volume 19, No. 3, March 1964, a 14-percent increase over the net earnings for the previous year. An increase of 14 percent, net earning increase, after taxes.

I should like to submit that for the record in contrast to these other letters and the general evidence of price decline.

Senator McGEE. I will put in the record at this time a letter that has just arrived this morning from a cattleman, a feeder in Denver, Colo. His pungent paragraph is, "I am a cattle feeder who has taken

a tremendous loss on every head I have sold in the last 15 months." It goes on to explain. He wants to know what he can do, to see if he can stay in business. I would ask that this letter be made a part of the record.

(The letter follows:)

DENVER, COLO., *March 20, 1964.*

Senator GALE MCGEE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: From reading in the newspapers that you are conducting an inquiry in regards to the losses that cattle feeders have sustained, I would like to express my appreciation, along with many other cattle feeders, that at long last, we have someone who is going to bat for us.

I am a cattle feeder who has taken a tremendous loss on every head of cattle I've sold in the last 15 months.

Along with our gratitude for what you are doing, there is one question, namely, is there anything we, as a group or individually, can do to help correct this very vital problem concerning the present and future of the independent cattle feeders? Would personal letters, wires, telephone calls, et cetera, from every cattle feeder help? Please let us know what we can do that might help our cause for which you are crusading.

Until we get some action from such dedicated people as yourself, all we will know is what we read in the papers—and, what we get in our pockets.

Very sincerely yours,

GILCREST FEEDING.
JULIUS WATERMAN.

GILCREST, COLO.

Senator MCGEE. In the morning press, the Washington Post, in the financial section, the headline reads, "Food Chains Defend Meat Price Rates." It reports that—

Clarence G. Adamy, executive vice president of the National Association of Food Chains, cited Bureau of Labor Statistics figures in answering his industry's congressional critics.

He didn't name the critics.

Adamy pointed out that BLS figures show a 5.7-percent decline in retail beef prices in 1963 compared with 1962.

During the same period—

The article goes on—

cattle prices declined—

Not 5.7 percent but—

12 percent, but, Adamy added—

By way of explanation that—

retail prices did not come down that much because of continued increases in such fixed costs as wages, rent, and transportation.

Apparently this is the explanation that the chains would make for this great spread of \$102 that Mr. Schmidt was referring to.

Would you care to comment on that?

Mr. BICKEL. I would like to, sir; in the first place, cattle prices down from the higher points of the last 6 months of 1962 are down around 30.7 percent. If he averages this back into a lower cycle, these figures may be right.

Senator MCGEE. The last 6 months produced the prices?

Mr. BICKEL. Yes; in 1962. A 30-percent drop, not 5.7, as you said.

Senator MCGEE. Thirty percent rather than the twelve percent that he is selecting?

Mr. BICKEL. Yes. And actually, if retail prices had reflected that, they would be down 20 to 25 percent. And if they were down that much, as Mr. Schmidt pointed out, you would have a great increase of consumption and these cattle prices on the market would be coming back up.

There is a lot of —

Senator McGEE. Their own figures would seem to bear out to a degree the charge that was made here earlier that the savings in beef purchases are not being passed along to the consumer.

Mr. BICKEL. There is another real pertinent point there. It is in our record. This is from the Supermarket Institute, a copyrighted article, a dissertation to all our meat men in the supermarket industry, saying, and I think it is rather significant in the fact of the losses of producers and constant high retail prices on investment:

The supermarket industry is accustomed to having little, if any—

These are their words, sir, not mine, the supermarket industry—little, if any, money invested in meat inventories. Fresh meats are sold and the proceeds put in the bank before a check is written to pay for them.

As a representative of producers, this means they are even operating on the packers' money. So they have nothing invested in this retail product. I am sure some do. But this is what they aim for, moving it before they pay for it.

And the producer has a great investment in each head of these cattle, and I am sure the packers do.

Senator McGEE. This says that even though they have these great concentrations of capital, that it isn't necessary in an instance like this to draw upon that actual hard capital for the operation. The power they have for purchasing is a substitute for capital, and they use somebody else's capital for free.

Mr. PATTON. That is right, and they are selling shelf space. They own the shelf space. And not only in relation to beef but in relation to other products. They sell their shelf space and get special deals because they control the shelf space. They control so many hundred stores. This is the same basic story, whether it is beef, or whether it is some poor little guy that has some product that the processors are manufacturing.

Senator McGEE. It means they take no capital risk on this operation?

Mr. PATTON. Right.

Senator McGEE. The supplier takes all the risk.

Mr. PATTON. Yes. It is concessional. They operate a concession. He carries the inventory, whether beef or some other commodity or product.

Mr. SCHMIDT. Mr. Chairman, I would like to, before we come to the end of our discussion here, I want to enter one more thing. We want to show what effect this committee hearing is having on this whole problem.

If you were called —

Senator McGEE. The committee hearing can't have much effect yet. We just got started.

Mr. SCHMIDT. We want to show what has happened at the retail level.

Last March I presented testimony before the House Agriculture Committee on Livestock. Following that——

Senator McGEE. When you say last March you mean a year ago?

Mr. SCHMIDT. Yes, a year ago.

Following that, the next week came out a 20-percent discount across the Nation.

Senator McGEE. Twenty-percent discount on what?

Mr. SCHMIDT. On meats.

I will have Mr. Bickel show you what happened when you called for hearings by your committee here today, sir. And the thing that you are going on.

Mr. Bickel?

Mr. BICKEL. One thing, sir, and I think this Mr. Patton referred to, using the colorful words "snow job." This discount lasted 3 days, by the way.

Senator McGEE. This is the discount a year ago?

Mr. BICKEL. A year ago.

Senator McGEE. A year ago this month.

Mr. BICKEL. And incidentally with ads written identically by two competitors, with the very colorful language, Jim, these prices they have to certify, "these prices have not been artificially raised in order to accommodate this spectacular event." This same language appears in both——

Senator McGEE. You mean this language was in the chainstore ads?

Mr. BICKEL. Yes, sir, it was the Safeway and Red Owl ads. It is rather old-fashioned language that we have to certify to the consumer we are not lifting prices in order to throw a sale. I don't believe this is part of good business practice.

Anyway, on March 17, sir, 1964, this year, as a result of first announcements of this hearing, a great promotional spread was put out in our area by Safeway with a picture representative of the cattle feeders saying we are going to help these boys promote the sale of meat. And incidentally, for the first time, they listed all retail cuts, which is an achievement.

Senator McGEE. And are the prices lower in that?

Mr. BICKEL. Yes.

Mr. PATTON. The important point is, Senator, they don't even start these sales or buying until the producer has already taken a terrific loss. He has taken a \$2 billion loss since this last year. So, lo and behold, these great big outfits are going to come in and save him after he has already lost. He has sunk. A lot of them have already gone busted.

So now they are going to rush in and have the American consumer bail him out after he has been sunk. What good will it do you after you have been busted?

Mr. BICKEL. Jim is so busy with his many obligations he hasn't read the ad since. I went shopping with this paper, to buy some of this. By the time I got there, 5 days later, sirloin steak which had been on sale at 85 was back up to 98. Top sirloin that had been advertised at \$1.29, during this 3-day period, was back up to \$1.48. This is in Denver, 2 miles from the aging plant of Safeway.

Sirloin steak from 89 cents to \$1.17. On cheaper cuts, round steak from 69 cents back up to 95 cents. Boneless round from 79 cents to \$1.05.

Senator McGEE. What does this mean? You are saying that when we announced that this committee was going to hold hearings looking into the marketing practices in beef, for whatever reasons—curious, coincidental, or deliberate—there was a big beef sale sponsored by these chains, with a cut price. But that a number of days later, once the dust had settled again, the prices of beef shot right back up to their former high level?

Mr. BICKEL. Right, sir, on most items. However, the next week they had a promotion on hamburger and weenies. And much of the meat in weenies is from imported beef as you know.

Senator McGEE. That affects my family. That is our steady diet.

Mr. BICKEL. The point is, with the power to administer prices, they can play with these prices anyway they want. And I think this is the potential evil. Two things: The power to destroy the price-determining mechanism of a free market by laying off the market, and then the power at retail to do at will, not competitively—in other stores on the same day sirloin was at different prices, hamburger 49 cents just as the national chart shows.

Thank you.

Senator McGEE. Doesn't this reflect a little bit of the law of supply and demand? This 20-percent cut they advertise as their beef sale they had for a few days, after we announced these committee hearings? That still is a reflection isn't it? Does this help the housewife? Or is this a promotional type of thing rather than a reflection?

Mr. BICKEL. I think one of the problems, and I hope the Federal Trade Commission, if the Senate authorizes them to do this study, that there will be brought out this substitution of promotional competition for price competition. Giveaways, Gold Bond stamps, cars, tickets to professional football games, all of these things which have been imposed on the consumer contest, all kinds of gambling-type devices, which ought to be looked into, bingo and all of this stuff, as a great promotional battle between these giants, not a price competition, but a promotional competition.

This can be an evil, the power for real evil is there in a competitive marketing system.

Senator McGEE. If it were a price competition, are you saying that when the producer prices collapsed, this would have shown up then as a price savings for the consumer?

Mr. BICKEL. Using their own statement, if they move meat within 4 days, say they aged it 10 to 20 days, it would surely show up in 24 days. At least within 60 days, reasonably, all over the country these prices ought to be reflected to consumers.

Senator McGEE. Do you think they reflect, rather than the producer's plight, the activities of the Congress?

Mr. BICKEL. I think Congress has had an effect on it, yes, sir. And this is one of the only forces in a free society we have to break up administering pricing through proper channels constituted like the Federal Trade. Thank you.

Mr. PATTON. Thank you, Mr. Chairman, for hearing us, and thanks especially for digging into this whole business. I think it is very important that you are doing this. I hope that this may finally develop into a larger investigation of the nature of our society. I was one of the sponsors of the Employment Act of 1946, and may I say

here on the record that I have been disappointed that it hasn't functioned more fully. The Antitrust Division and the Federal Trade Commission are always starved to death because the powerful political forces of this country don't want them to have the necessary money. I think there is only one final resort that the people of this country have, and that is in many like ourselves who are willing to use the power of the Senate and the committee to dig into the practices of maintaining a democratic society and to bring to brook those who are violating the basic concepts of a free society.

Senator McGEE. Before we break up, I did overlook one question that I announced at the beginning I was going to raise with your experts, Jim, and that was, perhaps to either Mr. Schmidt or Mr. Bickel, your experience. You heard my opening statement about the charge yesterday that coercion and intimidation has been suggested as inhibiting some members of the industry from testifying before this committee. Are there members of the livestock industry in your experience who would be reluctant to testify because of the fear of pressures or retaliation from chainstores?

Mr. BICKEL. I could answer this way, sir, and I think this is the type of evidence that ought to come from the individual. I am sure there are many individuals, I know one immediately, who, word has gone out, don't buy his cattle because he has talked too much about our practices.

Senator McGEE. This would be a cattlegrower?

Mr. BICKEL. A cattle producer, feeder, seller on the market.

This is constantly inherent in this matter of having to deal with big combines that buy thousands of head. And I am sure you could find many witnesses to this effect.

Senator McGEE. It is your feeling in the business that in your day-to-day conversations, that this is not a unique experience.

Mr. BICKEL. No, sir.

Senator McGEE. That someone is afraid of being put out of business.

Mr. PATTON. Mr. Chairman, we even have one or two managers of our cooperating marketing associations who are afraid to come before this committee, because if they did, they may suffer some recriminations.

Senator McGEE. These are managers of your Farmers Union Cooperatives?

Mr. PATTON. Farmers Marketing Cooperative.

Senator McGEE. They are afraid to testify before this committee?

Mr. PATTON. Yes, sir.

Senator McGEE. Not because of what the committee will do to them but because of what——

Mr. PATTON. What will happen to them?

Senator McGEE. What the buyers will do to them?

Mr. PATTON. They have to sell their cows and beef. I can specifically—I do not care to name the individual, but an individual who is a manager of one of our cooperative marketing associations, has told me that he did not want to appear before this committee.

Senator McGEE. It would seem to me that this is an unfortunately eloquent and dramatic illustration of one of the consequences of unprincipled economic power. I would hope that this committee at least makes it its business to see that the proper agencies of our Government explore to the fullest this kind of intimidation.

Mr. PATTON. I just hope you go right on, plodding right on and poking at them all the time, because that is what is needed in America.

Senator McGEE. How can we hope to get at the facts when there are those who are afraid to let the facts emerge? How can we hope to get at a solution when there are those who are afraid even to let us raise the right questions?

Mr. PATTON. I agree with you. That is the reason we are here.

Senator McGEE. It is a real mystery.

Mr. PATTON. That is the reason we are here. And don't think for a minute we won't get the bite put on us, because we will. We know that. But I don't care. I think that democracy and economic democracy is more important than whether I get my old tail chewed out or don't get it chewed out.

Senator McGEE. You started out in life being chewed, and you have done pretty well.

Mr. PATTON. Anyway, Senator McGee, thank you very much for your courage in this thing. You are going to get a lot of heat. You are going to hear about this. But we will also be in there telling the other side of the story too.

Senator McGEE. We appreciate your help here this morning and the help of all the members of your staff. We trust that as this develops, and as the heat intensifies, that, as it may be necessary, you will be ready and willing to return if the committee finds it useful to its purpose.

Mr. PATTON. We will. Thank you very much.

Senator McGEE. Thank you very much.

As we wind this up I would like to read into the record a letter from the Colorado Wool Growers Association, that has just arrived. It is dated the 23d of March, sent from Denver, and says:

DEAR SENATOR: We request that this letter be made a part of the hearings being conducted with reference to Senate Joint Resolution 71 at the present time.

On March 8, 1964, the board of directors of the Colorado Wool Growers Association passed a resolution instructing the secretary of the association to draft a resolution commending President Johnson for his interest in examining retail food buying and selling practices and urging the most immediate possible action in this regard.

It is the position of our association that such examination is of critical importance. The fact that the gross retail margin on lamb has nearly doubled in the last 8 years while grower and feeder level prices have declined substantially is, we believe, sufficient evidence to warrant an intensive study of buying and selling practices at retail.

That the merchandising practices of retailers is questionable is further borne out by the 1963 experience of the beef industry which, according to USDA data, showed an 11.4-percent reduction in live prices for beef and only a 1.8-percent reduction in price at the retail level.

The President has suggested that a commission, separate from any regulatory agencies of the Government, be appointed to conduct a study. We are unalterably opposed to this approach for the following reasons:

(1) We believe that testimony taken by such a commission might be privileged and might not be subject to future review and action by regulatory agencies.

(2) The cost of such a venture would be excessive and, at best, productive of only a high-level economic study.

(3) Time is of the essence because of the depressed level of livestock values and the effect of such levels on economies of livestock producers. Such a study has been estimated to take 3 to 5 years.

We strongly recommend consideration be given to the formation of a temporary congressional committee of bipartisan nature to oversee a joint study in depth by the Federal Trade Commission, Packers and Stockyards Division of the USDA, and the Justice Department.

We believe that this action would prevent possible interdepartmental rivalry and, at the same time, utilize the valuable experience of trained, professional investigators. * * *

The full letter will be made a part of the record, as well as the resolution passed unanimously by the board of directors of the Colorado Wool Growers Association.

(The letters and resolution follow:)

COLORADO WOOL GROWERS ASSOCIATION,
Denver, Colo., March 23, 1964.

Senator GALE MCGEE,
Senate Office Building,
Washington, D.C.

DEAR SENATORS We request that this letter be made a part of the hearing being conducted with reference to Senate Joint Resolution 71 at the present time.

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(1) We believe that testimony taken by such a commission might be privileged and might not be subject to future review and action by regulatory agencies.

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(3) Time is of the essence because of the depressed level of livestock values and the effect of such levels on economies of livestock producers. Such a study has been estimated to take 3 to 5 years.

We strongly recommend consideration be given to the formation of a temporary congressional committee of bipartisan nature to oversee a joint study in depth by the Federal Trade Commission, Packers and Stockyards Division of the USDA, and the Justice Department.

We believe that this action would prevent possible interdepartmental rivalry and, at the same time, utilize the valuable experience of trained, professional investigators of these agencies which have already gathered a substantial amount of information directly pertinent to such a study. Further, should the study reveal actionable practices at any point from the live animal level through retailing, the proper regulatory agencies would be on the job ready to take whatever action was indicated.

We also wish to advise you and your committee that we stand ready to assist in any possible way if we can be of help.

We deeply appreciate your consideration and request that we be provided a copy of the transcript of the hearings as quickly as they are printed.

Very sincerely yours,

BRETT GRAY,
Executive Secretary.

RESOLUTION PASSED UNANIMOUSLY BY THE BOARD OF DIRECTORS OF THE COLORADO WOOL GROWERS ASSOCIATION

Whereas the President of the United States has recently stated his interest in an examination of retail food store buying and selling practices; and

Whereas the members of the Colorado sheep industry consider this one of the important problems related to low prices for our products: Now, therefore, be it

Resolved, That we express our thanks to the President and urge immediate implementation of such investigation.

TURKEY TRACK RANCH,
Colorado Springs, Colo., March 19, 1964.

Senator GALE MCGEE,
Senate Chambers, Washington, D.C.

DEAR SENATOR MCGEE: I would like to express personal thanks to you for the interest which you are showing in our cattle situation and the good work which you are doing through the Senate Commerce Committee.

There is one situation which seems inequitable and that is that the chainstores are able to maintain feed lots and retail meat whereas packing plants are not permitted to do so. We have a good small packing plant here in Colorado Springs and it is entirely possible that they could operate a retail outlet here and bring reasonably priced meat to our public. Under the law they are not permitted to do so. It does not seem as if that is quite right when the chains are given the privilege.

Again, thanking you, I am,
Sincerely,

J. D. ACKERMAN.

Senator MCGEE. The committee will stand in recess at this time, pending announcement after the Easter recess of a resumption of these hearings, at which time other witnesses, including, we hope, the spokesmen for the retail food chains, will be heard.

(Whereupon, at 10:25 a.m., the committee was adjourned, subject to the call of the Chair.)



STUDY OF FOOD MARKETING

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HEARINGS

BEFORE THE

COMMITTEE ON COMMERCE

UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

S.J. Res. 71, as amended

A JOINT RESOLUTION TO ESTABLISH A NATIONAL COM-
MISSION ON FOOD MARKETING TO STUDY THE FOOD
INDUSTRY FROM THE FARM TO THE CONSUMER

PART 2

APRIL 8, 13, 16, 22, 23, 29, AND 30, 1964

Serial 50

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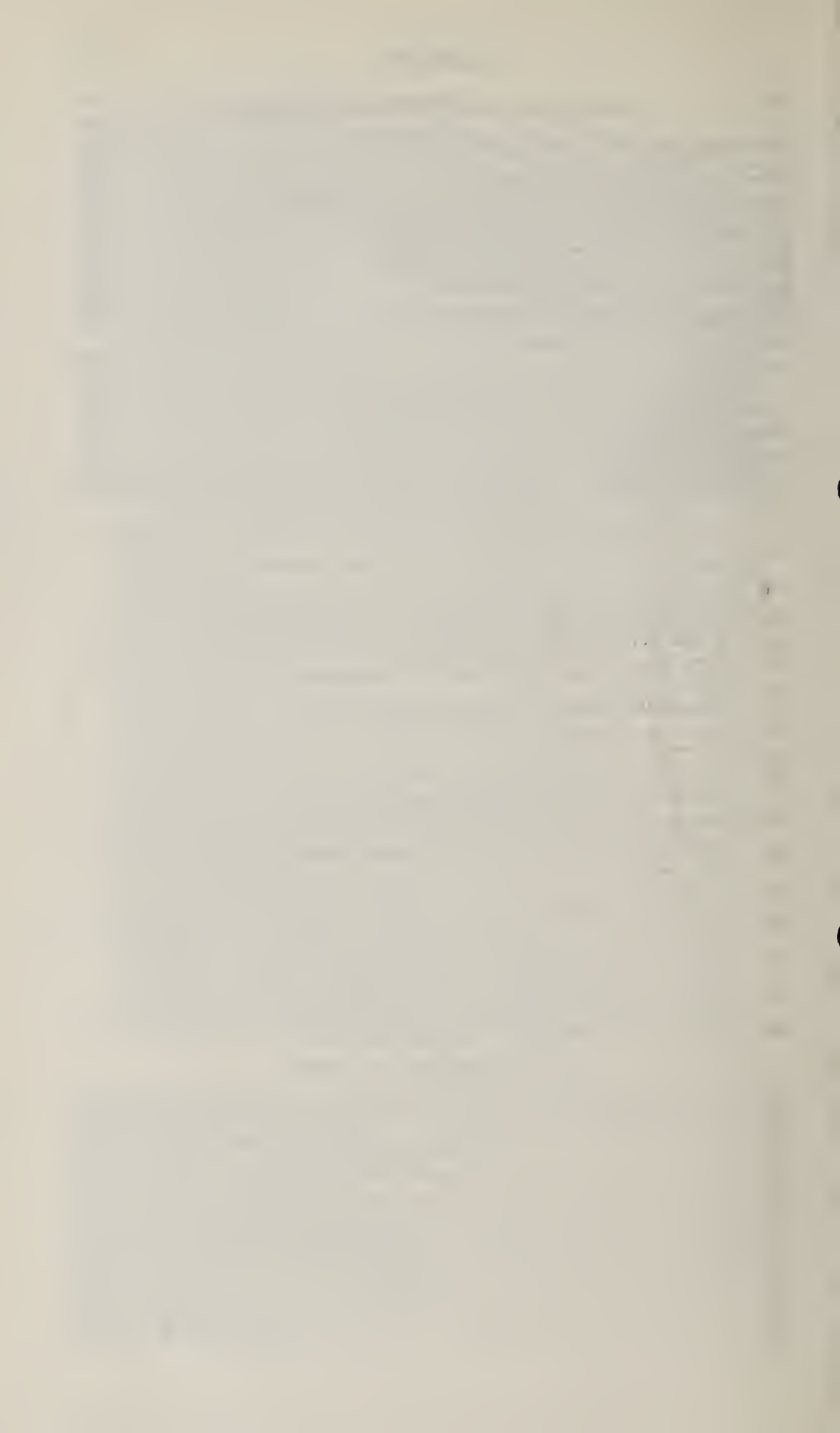
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STUDY OF FOOD MARKETING

WEDNESDAY, APRIL 8, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met at 8:33 a.m., in room 5110, New Senate Office Building, Hon. Gale W. McGee presiding.

Senator McGEE. We are resuming hearings this morning on Senate Joint Resolution 71, a resolution now broadened by Senate action to propose creation of a National Commission to investigate food marketing from the farm to the consumer, and a resolution which has the unqualified support of the President of the United States.

Today, and for the next several weeks, we will continue to inquire into the processes and practices of food distribution that have provoked a national clamor for such an investigation. We will continue to explore charges that the recent history of food distribution in this country has been revolutionary, not evolutionary, charges that such revolution, displaying tendencies toward the dictatorial abuse of power, may be at the heart of the producers' distress and the consumers' evident impotence in the marketplace.

We will also scrutinize the terms of the amended Senate Joint Resolution 71 to insure that a fair and impartial, but rigorous, investigation will follow from the action of this committee and the Congress.

I ask that Senate Joint Resolution 71, as amended, with the message from the President, be printed at this point in the record, along with the full text of the President's accompanying message and a memorandum from the Secretary of Agriculture, Mr. Orville Freeman.

(The material referred to follows:)

[S.J. Res. 71, 88th Cong., 2d sess.]

JOINT RESOLUTION To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed

for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions. In connection therewith the Commission is authorized—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraph (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to request directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage

to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however*, That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as it deems necessary for the conduct of its business.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided*, That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 655(g)) shall apply to appropriations of the Commission: *Provided further*, That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS. There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

THE PRESIDENT TODAY SENT THE FOLLOWING LETTER TO THE PRESIDENT PRO TEMPORE OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

OFFICE OF THE WHITE HOUSE PRESS SECRETARY,
THE WHITE HOUSE, April 1, 1964.

Hon. CARL HAYDEN,
President Pro Tempore of the Senate,
Washington, D.C.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. PRESIDENT: (DEAR MR. SPEAKER:) I recommend that the Congress enact legislation establishing the bipartisan Commission to study and appraise the changes taking place in the American food industry. Enclosed is a draft bill which will accomplish this.

The growth and stability of our entire economy depends, to a large extent, upon the food industry. Its vitality and strength are important to the farmers, processors, distributors, and retailers who depend upon it for their livelihood. Its practices affect all of us as consumers.

Information is not now available to permit an informed judgment concerning the effect of the recent changes in the food industry. We do not know whether the benefits of advanced technology are being fairly distributed among farmers,

processors, distributors, retailers, and consumers. We do not know whether shifts in bargaining power require new laws. We do not know enough about the new character of the industry to determine the extent of the benefits and the need for any relief from hardship which may be necessary.

The Commission would gather the necessary information and report to the Congress, the President, and the public.

In addition to the draft bill, there is also enclosed a memorandum from the Secretary of Agriculture explaining the need for the legislation in more detail.

Sincerely,

LYNDON B. JOHNSON.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 24, 1964.

Memorandum to: The President, the White House.

From: Orville L. Freeman, Secretary of Agriculture.

Our economy is constantly changing, and we know little about the effects of change—particularly in the food industry. The farmer produces food more successfully than ever before, yet success has not been rewarded as we expect industriousness and efficiency to be rewarded. The food processor has grown large and efficient, yet he is fighting hard to maintain his corporate identity. The housewife has available a greater variety of food products than ever before, but she is less able to distinguish fact from fancy in food advertising than ever before. The food retailer, once the tail end of the food marketing chain, is rapidly becoming the dominant influence in the food industry.

All these developments indicate that a revolution in food marketing as far reaching as the revolution in production has taken place. It points to the need for a comprehensive study of our food marketing system, and I am, therefore, transmitting a proposed joint resolution to establish a National Commission on Food Marketing. The bipartisan Commission could be composed of 15 members, 5 from the Senate, 5 from the House, and 5 appointed by the President from private life.

It would investigate and document the changing structure of the marketing system for farm and food products, identify the problems raised for various segments of our society by those changes, and recommend such actions by Government, private enterprise, or individuals as it deems appropriate to facilitate adjustments or to improve the marketing structure.

Business relationships among segments of the marketing structure have undergone the greatest change. For some products the central market for buying and selling has at least in part been replaced by direct trading between individual farmers and processors or retailers, with trading itself giving way sometimes to contractual relationships. Shifts in market power, and in formal and informal corporate organizations appear to be taking place. In consequence, many farm groups throughout the country are undertaking measures to strengthen the farmer's bargaining position in selling his products.

There are many examples of these changes in marketing practices, but I will cite only two:

(1) Beef is a lead item at retail. Per capita consumption has risen sharply and quality and service have improved greatly. Some packers—big and little—contend that retailers impose and enforce stringent specifications for product and delivery; that there is price leadership; that retail sales are planned as much as 3 months ahead, setting proportions of beef, pork, provisions and poultry; that loss of one or a few retail customers may be crippling and therefore threat of loss becomes a power instrument. It is alleged that shortrun retail price bears little immediate relation to carcass or to live prices and that returns have fallen to mere survival levels. Similar complaints are made by stockyards and older markets and marketing agencies that have been partly bypassed. Feeders and growers allege that pressures impinging on packers are quite harsh on them also.

(2) Canners, freezers, and dehydrators allege that 10 years ago there were firm and actionable purchase contracts by retailers who took inventory costs and risks and bought at a firm advance price. Now they contend that there are merely statements of intent to buy instead of contracts; that they carry the product in inventory with all costs and risks; that often they must pack precisely to customer specifications, buy and affix retailer labels, and sell on a market-price-at-time-of-shipment basis with little real or usable alternative sales outlets.

No segment or product line of the food industry appears to be unaffected.

The traditional marketing system had many built-in protections. It was competitive and dispersed. It was a visible system whose workings were exposed to easy view by both buyer and seller.

The current system is much less patterned and uniform. It is a mosaic of the big and small, of central markets and decentralized trading. Traditional trading remains alongside of telescoped integration that often eliminates trading.

The scope and nature of these changes are by no means fully known. Their effects on farmers, distributors, and consumers are even less well-known and understood. The present market structure is not necessarily suspect, either generally or in particular cases. But to the extent that a traditionally open market organization may have disappeared there may well exist a potential threat of grave abuses.

At issue here is not merely what has happened to the food industry of this country. At issue also is the kind of food industry that Nation needs two decades from now. We need to know what we should do to meet our needs and what the proper role of Government is in seeking our goals. In summary, we deal not only with the food industry, but with the shape of the American economy and the kind of a nation in which our children will live.

Involved in these matters are annual retail food sales of \$70 billion, employment for about 11 million wage earners, and operations that daily touch the life of every American and significantly affect the growth and stability of the economy.

I believe that the proposed Commission, with appropriate staff and full cooperation from other Federal agencies which are able to contribute to its work, can develop the required information, and it can help to chart desirable courses of action by Government and by the industries involved in these rapid and far-reaching changes.

I would hope for prompt enactment of this legislative proposal in order that the Commission may start its important work at an early date.

ORVILLE L. FREEMAN.

MARCH 25, 1964.

JOINT RESOLUTION

To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer

Whereas the food industry of the United States (herein used to refer to animal and human foods of farm origin) is an important sector of the total economy which involves expenditures of about 70 billion dollars per year at retail, employs about eleven million wage earners, daily touches the life of every American consumer, and significantly affects the stability and growth of the American economy; and

Whereas, in the past two decades, significant changes have occurred in the relationships among components of the food industry and in market organization, production, processing, and distribution of food and food products; and

Whereas these changes involve the nature and extent of integration and diversification, supply sources and relationships, and prices and other terms of sale at the several stages of production, processing, and distribution of food and food products; and

Whereas Government, industry and the public urgently need information to sustain informed judgments on the nature, causes and effects of these changes; and

Whereas it is clearly essential that a comprehensive and objective inquiry be made into the nature, causes, and effects of changes in the food industry to determine desirable objectives in the public interest: Therefore be it

Resolved by the Senate and the House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. Organization of the Commission. (a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. Compensation of Members. (a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. Duties of the Commission. (a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The change in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulator activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. Powers of the Commission. (a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions. In connection therewith the Commission is authorized:

(1) To require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submissions shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) To administer oaths;

(3) To require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) In the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) In any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) To pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to request directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of

research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be confidential and shall not be disclosed by the Commission or its staff: *Provided, however*, That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as it deems necessary for the conduct of its business.

SEC. 6. Administrative Arrangements. (a) The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an Executive Director and such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided*, That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further*, That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. Authorization of Appropriations. There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this Joint Resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(a).

Senator McGEE. I would like to mention at this point that in the past few days a series of newspaper ads have been appearing under the name of some of the groups representing themselves as super-markets and food chains, and in general they seem to take very much the same form, though sometimes bearing different names, namely, an open letter to President Johnson, to Senator McGee, of Wyoming, and the National Farmers Union, and in the text of the ads the suggestion is made that those running the ads are not the ones at whom the finger ought to be pointed, that it is somebody else, and that therefore in all fairness we should not talk loosely about the food chains but about particular chains.

Well, I think because of the ads that have been running—and I think we will make a part of the record the particular one at hand here from the King Soopers in Denver, Colo.—that in the course of these hearings charges have been made by witnesses appearing here that have referred, among others, to National Tea, A. & P., Safeway, and

[From the Denver Post, Wednesday, Apr. 1, 1964]

Guilty or not Guilty?

AN OPEN LETTER TO PRESIDENT JOHNSON,
 SENATOR McGEE OF WYOMING,
 THE NATIONAL FARMERS UNION,
 MR. WALTER CREW OF THE DENVER STOCKYARDS

MANY ACCUSATIONS HAVE BEEN MADE, AND THERE HAS BEEN MUCH TALK ABOUT CHAIN STORES BEING INVESTIGATED; ESPECIALLY REGARDING THE PRICE OF BEEF.

IN MOST OF THESE ACCUSATIONS AND REMARKS IT HAS BEEN SAID THAT "CHAINS" FIX THE PRICE OF BEEF BY USING CATTLE FROM THEIR OWN FEED LOTS WHEN THE PRICE IS HIGH; STAYING OFF THE MARKET FOR SUFFICIENT TIME TO DEPRESS PRICES OF CATTLE; THEN WHEN THE PRICE IS SUFFICIENTLY LOW, THEY BUY ON THE OPEN MARKET.

ANOTHER ACCUSATION SAYS THAT "CHAINS" HAVE THEIR OWN FEED LOTS, THEIR OWN PACKING AND PROCESSING PLANTS, BUY DIRECT FROM THE PRODUCER AND, AS A RESULT, ARE ABLE TO DICTATE THEIR OWN PRICES BY KEEPING CATTLE FROM THE STOCKYARDS MARKET.

MUCH HAS ALSO BEEN SAID ABOUT THE PRICE DEPRESSING EFFECT OF IMPORTED BEEF.

FIRST, LET ME SAY THAT KING SOOPERS HAS ALWAYS BEEN A STAUNCH SUPPORTER OF OUR LIVESTOCK INDUSTRY.

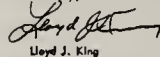
SECOND, WE OBJECT STRENUOUSLY TO INCLUDING ALL CHAINS IN THESE ACCUSATIONS AND REMARKS. USE OF THE WORD "CHAIN" WITHOUT SPECIFIC REFERENCES IMPLIES THAT ALL CHAINS ARE GUILTY OF THESE PRACTICES.

KING SOOPERS STATES FOR THE RECORD THAT:

1. KING SOOPERS HAS NEVER OWNED, DIRECTLY OR INDIRECTLY, ANY FEED LOTS, PACKING PLANTS, PROCESSING PLANTS, RANCHES, FARMS, CATTLE OR OTHER LIVESTOCK.
2. KING SOOPERS DOES NOT BUY DIRECT FROM THE PRODUCER, AND BUYS ONLY THROUGH FEDERALLY INSPECTED PACKING HOUSES WHO DETERMINE THE PRICE WE PAY.
3. TO OUR KNOWLEDGE, KING SOOPERS HAS NEVER BOUGHT OR SOLD IMPORTED BEEF.

SO, WE ASK IN ALL FAIRNESS THAT WHEN THESE ACCUSATIONS ARE MADE, THE NAME OF THE "CHAINS" TO WHOM YOU REFER BE STATED. SINCE THESE STORIES OF INVESTIGATION OF CHAINS SEEM TO CLOUD THE NAME OF ALL CHAINS, WE WELCOME AN EARLY INVESTIGATIVE ACTION IN ORDER TO ESTABLISH "GUILT," IF THERE IS ANY, WHERE IT BELONGS.

Sincerely,



Lloyd J. King



American Food Stores—there are I am sure others that have been referred to from time to time, but I didn't want the impression to continue that we were engaged in a shotgun assault on any mass marketing enterprise as such. Specific charges have been made in specific terms and applied to specific chains until now.

Incidentally, the food chains have been asked to testify and their representatives, I understand, asked for a little more time to determine their position. I was delighted to note over the weekend that one of the major chains, and one that I have just mentioned, has publicly now declared that they welcome the study into the areas envisaged by the pending resolution.

This morning our first witness is the Honorable Albert Gore, U.S. Senator from Tennessee. Senator, we are looking forward to your comments on this very difficult question. You have long been a leader in the Congress in exploring areas of economic concentration that held potential threat to people in a lesser bargaining position, and your leadership in the area of economic thought and in financial complexities in the tax structures in the land, in the implications of all facets of economic development and the economic well-being of the country, has been one meriting great admiration. Let me say that we are happy and delighted that you are here, and we look forward to your remarks.

STATEMENT OF HON. ALBERT GORE, A U.S. SENATOR FROM THE STATE OF TENNESSEE

Senator GORE. Thank you, Mr. Chairman. With reference to your very kind and generous introduction, please let me recall that on the floor of the Senate some years ago, and since, I have undertook to draw the attention of the country to indirect but pungent indications that there was a lack of competition—indeed possible collusion and conspiracy—among the major steel companies in fixing the price of steel, which as the chairman well knows, affects the price of automobiles, refrigerators, pocketknives, pitchforks, cooking utensils—so many things are made of steel. A Federal grand jury has now, as the committee knows, drawn an indictment of the major steel companies for conspiracy and collusion in price fixing, not only with respect to the public but also with respect to bids submitted to agencies of the U.S. Government.

I am not prepared to say that such is the case in the food industry. I have no evidence to cite to the committee of a concrete nature which in my opinion would warrant an indictment. I do suggest that it would be an appropriate field for study, not only by the Commission, the establishment of which President Johnson has suggested, but by existing agencies, including the Federal Trade Commission and the Justice Department, to uncover the evidence or to ascertain the lack of it. It would be necessary to have a trained and competent team with power of subpoena to make the inquiry.

The committee has before it the resolution suggested by President Johnson to create a special Commission to study and appraise the changes taking place in the American food industry. In transmitting this recommendation, President Johnson said:

We do not know whether the benefits of advanced technology are being fairly distributed among farmers, processors, distributors, retailers, and consumers.

There are some things we do know, however, Mr. Chairman. One of these is that this industry and the existence of monopoly buying power and monopoly practices, if they exist, affect more immediately and more directly more American people than any other single industry. All of us eat meat. Those who eat and those who produce the food are all directly affected by the existence of monopoly practices, if they do in fact exist.

Secondly, we know that there have been more changes in this particular industry in the last decade than in any other major segment of our industry that can be cited.

Thirdly, we know that while the price of food has been steadily advancing to the housewife, the consumer, the proportion of the consumer's food dollar which the farmer receives has been going down drastically. For instance, to be specific, of the \$10 market basket—if I may refer to a typical purchase by a housewife—the amount of this \$10 market basket of food products which the farmer receives has gone down 15 percent, while the price paid for it by the housewife has gone up 18 percent.

So, Mr. Chairman, though as President Johnson has indicated there are things which we do not know and which should, in my opinion, be the subject of inquiry, there are these fundamental things which are matters of record.

As I have indicated, I endorse the establishment of the Commission, but I would not want the establishment of a Commission to serve as an excuse for any existing agency not to perform its duties. I would like to see the Antitrust Division of the Department of Justice become more active. I would like to see the established regulatory agencies of the Government become more diligent.

Now, there is one other fact that should be cited in behalf of the food distribution industry. This we know: The consumer receives more services, such as more convenient packaging, partial preparation, freezing operations, and modern techniques of processing, than has been formerly the case. That is a service to the consumer. This is a service to the producer. This is a service to the American people as a whole.

The degree to which these better services have saved the distributor from spoilage and the degree to which it contributes to the value of purchase by the consumer is something I do not know. It seems to me this would be a proper area of inquiry.

I might say, Mr. Chairman, by way of partial qualification to testify on this, that I come from a State which is heavily involved in livestock and poultry production. I come from a rural background. I am partial owner of a small local feed manufacturing business, which supplies feeders of poultry, swine, and cattle. I am not personally a cattle feeder, though I own a small, but I am pleased to think select, purebred herd of cattle. From this background of personal experience, both from representation of my constituents and from my own private experience, I feel that I know a little about the meat industry, both white and red. I know less about the distribution of it. I think the country as a whole knows less about it, and the President has indicated that the Government is less aware of the technicalities, the implications, the rapidity of change in the food distribution industry.

I think, Mr. Chairman, that there is one other thing we know, and that is the existence of a widespread concern that the increasing spread

between what the consumer pays and what the farmer receives may be attributable, at least in part, to something more than improved services and something more than increased retailer and processor costs. There is mounting concern that the Nation's large retail food chains wield such extensive market power that they are able to drive down the price of what they pay the processor and/or the farmer, without sufficient competitive compulsion to pass the savings on to the consumer. And I say this, Mr. Chairman, not only with respect to beef but also with respect to pork and poultry. Indeed, large distribution chains now wield such control over our food marketing system as to make a mockery of the traditional free play of marketing forces which should characterize our free enterprise economy.

I am particularly concerned that the effect of changes in marketing patterns in the livestock industry, significantly beef, was the first item cited by the Secretary of Agriculture in his memorandum to President Johnson in which he proposed the enactment of the joint resolution now before the committee. The Secretary referred to allegations that—

retailers impose and enforce stringent specifications for product and delivery that there is price leadership; that retail sales are planned as much as 3 months ahead, setting proportions of beef, pork, provisions, and poultry; that loss of one or a few retail customers may be crippling and therefore threat of loss becomes a power instrument. It is alleged that short-run retail price bears little immediate relation to carcass or to live prices, and that returns have fallen to mere survival levels.

Some packers put the matter even more bluntly. They say that the representatives of the large chains simply tell them how much they will pay for beef at specified times, sometimes considerably in advance and without any reference to the supply available at that future period, and that packers are forced to take it or leave it. And then you know upon whom the burden falls—the feeder and the original producer.

The price leadership referred to by the Secretary of Agriculture is quite similar in effect to price fixing, or what is often called administered pricing. My late distinguished colleague, Estes Kefauver, made "administered prices" a term understood by uncounted millions of people. Administered prices are fixed prices, not always in the public interest. This has been true, as Senator Kefauver's investigations showed, in the steel industry, in the electrical supply industry, and in many other large segments of the American economy. It is certainly true, I believe, in the food industry. The ability of the food chains to dictate what they will pay for carcass beef, poultry, and pork may be as effective in its area as is, for example, the ability of big steel to fix prices relative to its product.

Mr. Chairman, something is wrong when livestock values drop by something like 25 percent over a period of about 15 months, without any appreciable drop in the price paid for meat by the housewives in the Nation's supermarkets. What is wrong? Something is. The producers of beef and other livestock have suffered a 25-percent loss in their value, but none of this benefit—at least no appreciable benefit—has been realized by the housewife.

Senator McGEE. If the Senator will permit me to interrupt just at that point, there has been some appreciable gain for the housewife, for it has been pointed out to me by the staff investigators that since the announcement of this investigation and the progress of the hear-

ings there has been a rise in weekend "hot shot" sales of beef by some of the food chains, so that perhaps now the housewife is getting a passing benefit that is reflecting the earlier market drop to the producer of beef.

Senator GORE. Well, the chairman's statement raises an interesting question which should be the subject of inquiry—to what extent were depressed prices of cattle a few weeks ago responsible, or to what extent was the present reduction responsible, for the low prices of beef established weeks and months ago. There must be some interplay there. Most people wield the power they hold. This is true of Government officials as well as private industry and individuals. I believe it was Jefferson who once said that the history of liberty is not to be found in power vested in the Government but in restraint over the power of Government. Maybe I am citing incorrectly, but I seem to recall that.

I do not assert that the buying practices of large food chains are solely the reason for the increased spread between what the producer receives and what the consumer pays. Increased labor costs and other increased costs of processors and retailers are a factor. The farmer, however, has had increased costs also, as have the feeders.

I have drawn a distinction here between the farmer and the feeder. Often they are one and the same, but more and more large concerns have moved into feeding operations. The man at the bottom of the ladder is the producer of the feeder calves or the feeder pigs or the baby chicks. He suffers not always first but eventually most.

Senator McGEE. The Senator refers to the rising costs of labor as a possible factor in the increased price of the production that is going to the housewife. I would think that the committee will have to interest itself in the real application of rising labor costs as a factor influencing the retail prices for a reason. Take the meat section of one of the very large supermarkets. We know that in the supermarket business the sale of meat is nearly a third of their total business. It is a very substantial part of their sales. But in these meat sales it may be that labor costs have gone down, because the meat is prepackaged in many cases. It is prepared in a center of distribution and sent out over hundreds of miles to their outlets. The numbers of meat handlers per article of food that is sold or passed along to the consumer is probably much less than it once was. The technique of mass production may have resulted here in actually a saving, and one would then raise the question, if that be true has this savings in lower labor costs in proportion to the volume of the business being turned over been passed on to the housewife?

Senator GORE. Well, this, too, is one of the things which the President indicated the Government did not know. I wish that I knew the number of people employed at packer and wholesale levels of food and meat products. I do not. It might well be that this is a repetition of the story in manufacturing. Though we have many new products, thousands of new gadgets on the market from the manufacturing industry, though the amount of goods manufactured has had a very large increase, the number of production personnel employed in manufacturing is approximately 1 million fewer than 7 years ago. Whether this is being repeated in the food industry, I do not know.

The chairman has raised a most interesting question. I think this could be determined rather quickly. It would take longer to deter-

mine the extent to which the technological advancement and the benefits therefrom have been reflected in benefits to the consumer and in profits to the distributor. This we do not know.

I have cited manufacturing. Consider four of the basic elements of our economy—manufacturing, transportation and utilities, construction and mining. Combined, they employ nearly 2 million fewer people than a decade ago; yet their output is vastly greater.

I would that I could give the committee statistics with respect to the subject at hand. Let me repeat that I am unable to do so. The fact that a Member of the U.S. Senate, the fact that the chairman of this committee, the fact that the Government does not know, indicates that the need for a thorough inquiry exists, but again I repeat I would not want the establishment of a commission to give any excuse for established agencies to be hesitant or bashful in the performance of a duty which I think the law clearly fixes already.

Senator McGEE. The Senator is so right in that observation. As a matter of fact, that reflects a part of the history and background for these particular hearings. It was to make certain that the established arms of the Congress whose function officially is that of protecting the national interest and the public interest in areas such as this were living up to their responsibilities, and the President's proposal would further insist in its own language that it utilize to the fullest existing agencies, their investigative powers, their research powers, their reservoir of know-how, and the collection of information that they continually have at their fingertips because of their day-to-day operations. That is what was important. It seemed to me that nothing be created that could pretend to bypass the agencies that were clearly operating for the Congress in the public interest, to try to create some new type of extragovernmental and, in an existing sense, extralegal commission. The President's proposal now includes the terms that would depend very strongly upon the Federal Trade Commission and the Antitrust Division of the Justice Department and the Marketing Service of the Department of Agriculture, to name three, in order to supply the latest, the most, and we trust the closest to factual information available.

Senator GORE. I would like to use a colloquial phrase: What are we waiting for? For what have these agencies been waiting? The facts which I have cited here have been clearly recognizable for months and months. I simply do not know why the independent agencies and why the Department of Justice have not been more active. Perhaps the committee could find out.

I have suggested to the Senate Finance Committee, where I raised this question, that we invite the Department of Justice to testify.

Senator McGEE. The Department will be asked to testify. I hasten to add that the Department of Justice agents are currently in the field asking what we hope are the right questions.

Senator GORE. I didn't understand that.

Senator McGEE. The Department of Justice has agents in the field now on this question. It may reflect the intensified interest of the Congress in this field, but they are in the field now with their investigative forces. The FTC has had men on this for a protracted period of time, but according to the testimony from the FTC that did appear here at the opening of these hearings the demands upon them are in many

fields. We happen to think this one is exceedingly important and ought to take priority over some others, but in other parts of the country tobacco is a very important commodity, a very important economic factor. This was taking a large section, I was told, of their personnel. They are cramped, personnelwise, to do all things or to do the things even that most of us would think were the most important, and a part of the basis of the petition now made is that if this is urgent and it is top priority the Congress is going to have to equip them with more of the wherewithal in order to get at it on a scale of sufficient depth and breadth to produce the kinds of results and information that the proposal envisages.

It is a question again of trying to do many things with a few trained people, and you cannot do them all, in all fairness to agencies themselves. I would have wished, as you have, that this had been a top priority long ago, because the warnings have long since been made by others of our colleagues as well, but I believe that the interest now being brought to a head here, with the comments of the Senator from Tennessee, will insure that a larger percentage of the forces of investigation already available will be focused on these questions that he has raised and others have raised in these hearings. But I do believe the Congress must come through with help and, if it is not too corny, "beef up" their investigating capabilities.

Senator GORE. As our system of government has evolved, the legislative branch has come to have functions which are not clearly spelled out in the Constitution, just as some of the functions which are clearly spelled out have been delegated to either executive agencies or independent agencies. One of the functions which has become an important one for the Congress is that of prodding agencies which it has established by law to become or remain diligent in the performance of those functions and those duties. Likewise, the power of investigation goes to an examination of the manner in which these functions are performed, including sufficiency of performance as well as malfeasance in performance. So this is a function of the legislative branch that has assumed greater and greater importance with the mushrooming of our Government into a myriad of agencies and functions. So the function which the chairman of this committee is performing is an important one and, I think, an effective one.

It may be, as he cited, that agents of the Department of Justice are in the field partially as a result of the concern of the Congress expressed by this committee and others. It may well be—and if so I wish to compliment the Department of Justice—that these agents were quietly functioning long before this hearing started.

My comments may appear critical. I only mean them to be critical if the shoe fits. I hope the shoe does not fit, or I hope the shoe fits well the functions of the Federal Trade Commission, the Department of Justice, and other agencies, but if it pinches a little then I mean to pinch, and I hope the chairman of the committee and the members of this committee will do likewise.

Senator MCGEE. I think the actions that have been going on the last few days in this committee have indeed begun to pinch. I gather from reactions that have occurred both within the agencies of Government and without, namely, in the areas that are being pointed up by those who are testifying here, that they have experienced a pinch. How much of a pinch probably would define the area of uncertain

information or unknown types of operations that need to be clearly examined, in order to make a fair appraisal of the kinds of economic consequences that the Senator from Tennessee has alluded to in his earlier remarks.

But he has put so well what is a truism so often in our Federal Government—that is, that it takes a little shove once in a while, it takes a sharpening of congressional interest, to get a regulatory commission on the ball in a given area. But once more I would repeat that they cannot do all things that all men would think they ought to be doing. Therefore, it is a legitimate give-and-take in the responsibilities of good government that the Congress should put on the pinch in areas where it thinks that an agency may have been too slow in responding.

I remember since my first days here with Senator O'Mahoney 8 or 9 years ago the long struggle that has occurred to try to get some enforcement agencies in the Packers and Stockyards Act and the Marketing Service in the Department of Agriculture actually to carry out the mandate given those groups by the Congress many years ago. It has been a tortuous process, and even in my few years here in attempting to follow through on that it has been a tortuous one. Sometimes these can be brought to a head in all of the elements available to Government to conduct a full and sweeping study in the interests of all of the people, and we are hopeful that this is what will come from the type of interest the Senator from Tennessee has manifested here and the type of leadership that he has displayed on many other facets of this same kind of problem.

While we refer to the response to these hearings that we have had from among some of the producers, some of the consumer groups, and some of the supermarket groups, I think it would also be necessary to say that there has been greater responsiveness now among some of the authorized regulatory agencies.

Whether the Congress will have the disposition to meet one of the gaps of supplying the necessary funds in order to put this investigation on the level and with the scope the President envisages is a question, of course, that the Congress alone can answer, but that is the reason for making the record here, in order to represent the real picture of need as it can be spelled out in a public hearing.

Senator GORE. Mr. Chairman, I would like to allude, if I may, to one other area which I think it is important for this committee to investigate, that is, the implication to the free enterprise system of concentration of buying power and distributive processes; whether this monopolistic trend is a threat to our free enterprise system, how this affects the small family grocery, how it affects small business. I do not know whether this committee has the authority to examine the tax returns of the few major supermarket chains. If not, I think it should have such authority. I would not suggest any profit control. I only suggest that the level of profits realized by the few who are tending to have monopolistic buying power and with regard to which there seems to be some evidence of monopolistic practices would be an important part of your investigation; not only the level of profits realized by the few big ones but the level of profits, or losses, by the many small ones.

You, Mr. Chairman and members of the committee, are involved here in something far more important than whether a cattle feeder

or a poultry producer makes a profit or suffers a loss, far more important than whether the cost of living advances 1 percent or is reduced by one-tenth of 1 percent next month. This is a question which goes to the heart of our free enterprise system—the operation of the law of supply and demand. Does it operate here? If so, does it operate freely? Is price fixing engaged in? If so, illegally? There are many questions which need examination.

Senator McGEE. In observation of the Senator's points, which were well made, the evidence already submitted reminds us that in the last few years 140,000 family stores have gone out of business.

Now, we are mindful, of course, that there is an economic revolution going on in our country, and a marketing revolution, and that no one would take the stand that emerging bigness is in itself bad. But the history of our economic explosion in both the last century and this one has continually revealed, as the Senator himself has pioneered in his own investigations, temptations of predatory activities on the part of the few that have suddenly acquired great economic power, great concentrations of capital, and one of the powers asserted here among the food chains, by those who have testified previously, is the power not to buy; namely, that as they sell some 5,000 or 6,000 different articles in a typical store they are dealing with a whole myriad of potential suppliers. Those suppliers may supply only one type of item—meat, let us say, or vegetables or poultry or dairy products; whereas the bargaining positions of the chain, on the other hand, is one that is so great that whether it chooses to buy or not to buy may determine not only the price in one of those areas but may determine the economic survival, as some have testified here, of those with whom it must deal.

We had testimony last week from individuals involved in supplying that persons known to them had been threatened by some of the food chains if they dared to testify before a committee of the Congress. It is this kind of intimidation that occasionally comes in the wake of the concentration of economic power. The Congress wants to know whether these charges are true. They would like to have some of those individuals stand up and enlighten the committee further on this kind of pressure. It suggests once more that it is not necessary directly to engage in agreed-upon prices, administered prices, as the Senator describes them, but that price can be fixed and economic survival for some can be determined simply by doing nothing, by withholding the purchasing of a product at a given time.

In most foodstuffs, in particular, the producer is under the pressure of the perishable life of his product and its availability on the market, whereas the purchaser can go on with many other alternatives at his disposal and still keep his economic well-being pretty much uninterrupted by seasonal or otherwise terminal factors influencing it.

Senator GORE. Mr. Chairman, lest I trespass too severely upon the time of the committee, I would like now to refer briefly to another phase of this problem. I wish to call attention to the substantial increases in the importation of meats. Undoubtedly, increased imports have some affect upon the market for domestic meat. Here again, however, if imports are available to the retailer at a lower price, the consumer does not seem to have been given the benefit.

Another committee of the Senate is currently holding hearings in an effort to determine the effect of imports on the livestock industry and whether legislation in this area is necessary and desirable. I am a

member of that committee and have been attending regularly the sessions and participating in them.

Now, as I have previously indicated, no single factor is responsible for the entire problem. If we are to find a solution that is in the national interest, all aspects of the problem must be explored. It is for the performance of this function that I support the President's suggestion of the establishment of a commission.

Your subcommittee is examining one phase of the problem. The Senate Finance Committee, on which I serve, is examining another phase of it. We need an overall examination which would include the committees of Congress and all of the agencies of the Government, executive and independent. But, Mr. Chairman, even there we need to go further. Insufficient study and attention has been given to the whole process of technology. What is happening to us? What will be the problem two decades from now? Will the apparently accelerating trend of increased productivity continue to mean fewer and fewer people can produce more and more goods? I do not know the answer. I do not think anyone knows the answer. I suggest that the subject has been examined entirely inadequately. This overall study by the commission which the President has suggested will only be a part of the still broader, overall problem of what is happening to our economy, to our people. What are the most fruitful avenues of procedure? Let not increased productivity of mankind become a curse of mankind. How do we channel this fortuitous development into benefits for our society? How do we prevent our economy from becoming stagnant because of increased productivity? How do we avoid unemployment? So I suggest that we need still a broader study and examination than that which is envisioned.

The large food chains are, I believe, in a position to control the market for livestock through the sheer volume of their purchases. Moreover, they have changed the form of their purchase contracts better to enable themselves to control prices. I am told that they are in a position to, and in fact do, tie up the sources of supply in advance without committing themselves as to the price they will pay. Some of the larger chains also participate directly in the business of feeding livestock and in processing the meat. By going into the feeder business when there would otherwise be a tendency for prices to rise, and by going out of it when prices have been driven down to the point where feeder operations show a loss, the chains are able to counteract whatever influence the imperfectly operating law of supply and demand might exert.

Monopoly and monopolistic practices are the enemies of private enterprise. Whenever a small group is in a position to control prices, whether the prices they pay, the prices they charge, or both, the Nation suffers and our way of life suffers.

It seems to me, Mr. Chairman, that the Nation's large national food chains have achieved that degree of size and economic power that clearly warrant national study and appropriate action. I commend this committee for the initiative displayed in this area, and I urge prompt favorable action on appropriate legislation.

Thank you, Mr. Chairman.

Senator McGEE. I want to thank the Senator. In view of his recent experience in the Finance Committee, which committee has been exam-

ining important quotas and their possible effect on beef, what is your view toward the charge that has been made publicly that the investigation of the chainstore practices is motivated by a desire to obscure the imports problem for the cattle industry?

Senator GORE. I had not heard that charge. I think it is ridiculous, if made. This is a very important part of the problem; so is importation. I see no reason why the Senate Finance Committee should be charged with an attempt to obscure the monopolistic power and practice of the few supermarket chains because we have started hearings on the importation of beef and its effect upon the disastrous prices which farmers, ranchers, and feeders are receiving, any more than this committee would be subject to the charge that you are trying to obscure what the Senate Finance Committee is doing because you are performing your duty in this regard. I think it would be groundless and ridiculous if the charge were made. I had not heard of it before.

Senator McGEE. Well, it has come to the attention of this committee, and there are those that are still repeating that kind of charge. I think the Senator is eminently correct in describing it as ridiculous. Some of us are interested in arriving at the answers that will help us to solve the questions that are plaguing many segments of the food industry, many segments of the producing industry, segments of the consumer problem. Therefore, we believe all the questions ought to be asked, not just the convenient questions, and we believe that our willingness to accept and not be afraid of the right answers to the tough questions is the only way that we are going to get at the real base of the problem that plagues all or many segments of our economic roots at this time.

I want to thank the Senator for his contribution here. Does the Senator from Texas have any questions he would like to raise?

Senator YARBOROUGH. Likewise, Mr. Chairman, I want to thank the distinguished Senator from Tennessee for his contribution. His knowledge of the livestock industry is well known in my State. He has been there many times. He has observed the great herds in my State and the methods of production, and he has visited people there. While his services in the Senate are better known in the field of finance and many other fields on the floor of the Senate, he is known in my State as a very knowledgeable person in livestock production.

Now, the Senator said no other industry directly affects so many Americans as the food industry. That is, of course, indisputable. I say that no other item in the food basket of America affects so many people as the meat item in that food. There are substitutes for other things, but the meat item is the main item, and in the overall agricultural production I think in this fine statement by the distinguished Senator from Tennessee he has touched on the fact that cattle production, meat production, is spread all over the Union.

My State is one of the great agricultural States of the Union, and last year out of a $2\frac{1}{2}$ billion-dollar agricultural economy, 1.4 billion of all types of field crops, even including that from things like pecans and 1.1 billion was from livestock. With over 10 million head of cattle, it is the State that has most at stake as a producing State, in gross numbers. I would not say per capita, because other States may be dependent more than that. But in this change in livestock production in recent years, the movement has been into very valuable cattle, very

valuable small herds, and meat production has spread from the ranges of the West to the Atlantic Coast. We find herds in the adjoining States of Virginia and Maryland. It has spread all over the country and every State is affected.

In my own State more counties are affected by livestock production, by meat production, than any other one item, and that is despite the fact that we produce in that State some years up to 40 percent of the total cotton production of the Nation, and that runs to \$800 million a year in cotton production. Now, in some States cotton is a leading crop. In other States to the north wheat is a leading crop; in some tobacco is a leading crop. But wherever you go meat production is an important item, and when we come into disparity in price, where the imports are excessive, the effect on controlled marketing by vast accumulations of capital engaged in packaging and retailing meat and food products to the public, whatever the combination of causes—and I think both of them have a part in this depressed price to the producer—the facts are that the producer is being forced out of business.

Two weeks ago I was in the western part of my State on the high plains, over 3,000 feet high, old buffalo country and now prime cattle country. A great feedlot in Lubbock, Tex., on the high plains was forced out of business. It had lost \$5 million in 3 years. Small feedlots are going out. Individual small ranches, family held for generations, are being put out of business by these depressed prices for meat and depressed prices in the livestock industry.

I think the great increase in imports, as well as the declining price to the producer and the accelerating price to the consumer, both have a part in what is threatening to be a liquidation of a vast segment of this industry if there isn't a fair return to the producer in comparison with what this product is bringing from the consuming public, which includes practically all America. There are a few vegetarians but not many. Practically all Americans take part in the consuming end.

I regard the Senator, from many private conversations with him in Texas and on the floor, one of the most knowledgeable men in the Congress of the United States, in either House, when it comes to knowledge of this industry and the fiscal condition of this Government, also money and finance. I think it is very appropriate that this Commerce Committee have the benefit of this testimony by one of the leading experts on the fiscal affairs of this Government from the Finance Committee. I thank the Senator for coming here.

Senator GORE. Mr. Chairman, first I want to thank my distinguished colleague from Texas and then ask unanimous consent that I may use his generous comments in public advertisement advocating my reelection.

Senator YARBOROUGH. Senator, if I said anything in your behalf on your reelection, the modesty of a committee hearing would not pervade that. I would just break down and tell the truth.

Senator GORE. Don't do that.

Senator YARBOROUGH. I restricted this greatly in accordance with the rules of the Senate. If I came to Tennessee and extolled your leadership, I would have to be expansive instead of restrictive, as I have been this morning.

Senator GORE. Mr. Chairman, I would, if I may, like to compliment the beef industry on the vast improvement it has made. Perhaps the

poultry industry has made more improvement in the last decade than any other phase of the meat industry, but beef production has been under rapid and intensive improvement for 150 years in this country. We have the highest quality beef in the world. The importation of beef is a problem, a serious one, one to which the Congress needs to give immediate attention and action. But I call to your attention the fact that most of the meat that is imported is cheap meat, poor grade.

About 21½ years ago a friend of mine visited Chairman Khrushchev in the Kremlin, and one of the things that Mr. Khrushchev told him was about the steaks he ate in New York. I believe he ate the steaks during the time he was beating upon the table with his shoe. Maybe these steaks gave him too much energy, but he made this remark. He said, according to this friend of mine, "This is the kind of meat I would like for the Russian people to have." We have the best quality red meat in the world, and as more and more of our people engage in intellectual activity, as fewer and fewer are involved in hard, menial, physical labor, the greater the demand for red meat, a high protein content product, becomes. So the change in the pattern of consumer demand is rapid, and that too, Mr. Chairman, might be a profitable area of study for this committee.

Senator YARBOROUGH. Mr. Chairman, in connection with the statement by the Senator about our having the best meat in the world, year before last I was in another country that produces a lot of meat, and they advertise that they have the best meat in the world. I went to their famed steak house known around the world, and the proprietor ordered for me—I was in the company of the economic adviser of our Embassy—their choicest cut. They served at our table—and I looked around at every table in that famous steak house—with a honed down, sharp bowie knife. An American restaurant owner would consider that an insult on his steaks if he had to serve a sharp bowie knife with it. I think that illustrates the superiority, just one facet of that superiority.

Senator McGEE. I thank the Senator.

This committee will hear on Monday, April 13, testimony from Mrs. Esther Peterson, Assistant Secretary of Labor and Special Assistant to the President for Consumer Affairs. Then on Thursday of next week, a week from tomorrow, the Secretary of Agriculture, Mr. Orville Freeman, will testify.

The committee is honored to have the testimony from Congressman James Roosevelt, of California. This committee pays tribute to your long efforts in this area it is exploring at the present time. You were once chairman of the House Small Business Subcommittee, which in 1959 and 1960, as I recall, conducted the pioneering investigation of small business problems in food distribution. You are also the author of H.R. 1706, to eliminate vertical integration by food chains, the author of House Joint Resolution 978, a companion bill to the amended form of the one that this committee is looking at right at this moment, and we welcome you here this morning.

**STATEMENT OF HON. JAMES ROOSEVELT, A U.S. REPRESENTATIVE
FROM THE STATE OF CALIFORNIA**

Mr. ROOSEVELT. Thank you very much, Mr. Chairman and members of the committee.

Mr. Chairman, I am very grateful for your comments. I am still chairman of that committee, and we have a continuing interest in the problem.

I want to particularly thank you for the opportunity of appearing before you and expressing not only my views but, I think, the views of the majority of the members of our subcommittee and full committee on the very important questions under consideration here before your committee, particularly in connection with its consideration of Senate Joint Resolution 71. I feel a strong community of interest, that you have stated, with you in this matter, as I had had the privilege of sponsoring in the other body House Joint Resolution 446, a resolution which is identical to the original Senate Joint Resolution 71, which as you know called for an investigation of chainstores by the Federal Trade Commission.

Additionally, I have introduced House Joint Resolution 978, which you referred to, which is identical with the present amended Senate Joint Resolution 71.

I would like to commend you, Mr. Chairman and members of the committee, for the very great work that you are doing in bringing to the attention of the Congress and of the American people the many crucial problems so vital to the farmers, the small businessmen, and the consumers of our Nation, resulting from an increased concentration and integration in the food industry.

Mr. Chairman, I think it is rather significant that in the past most of the interest in this area has not come from what we might call city dwellers. Today I think that there are a great many more Members of Congress who represent city and urban areas who have realized that this is of not only interest to the agricultural community but of tremendous interest to and tremendously important to those of us who represent consumers in the cities.

I am here in full support of Senate Joint Resolution 71. The farmers and the small businessmen and the various sectors of the food industry, in my opinion, cannot long survive the increasing pressures they face as a result of the growth and increasing integration of chainstores and other integrated firms. As an example, the following is an excerpt from a letter which I received 3 days ago from an independent baker in Portland, Oreg., and I quote from the letter:

A representative from Safeway came into our plant today wanting to know if they could sell us bulk shortening. Here again a great deal of pressure could be brought in order for us to sell our merchandise in their store. We are an independent wholesale company, owned and operated here in Portland, and we can be at the mercy of these people. When you get to chainstores saying that we will buy our raw materials from them, it can get to be a very difficult situation. It hasn't been too many years ago that Safeway and Continental Baking Co. were cited for having a national agreement to give Safeway a better price on merchandise. During that time we could not sell Safeway anything. Now we are

able to sell them a small amount. I hope this will encourage you to continue your efforts, and thank you.

Then a meatpacker from Pecos, Tex., had this to say:

Due to adverse conditions in the cattle market and continued severe losses in the packing plant, we are closing our operation down. I will try to outline briefly a number of conditions that have climaxed these losses. One, continued concentrations of buying power of the chainstores—IGA, co-op, and the monopolistic power of the Kimbal enterprises in being able to control vast groups of independent groceries with first lien notes on their businesses, including one packing plant that services these stores, including a wholesale grocery that is integrated back to the grocer in canned goods. Name it and they have it. These groups control 86 percent of all the retail grocery and meat sales in this area, and they control 78 percent nationwide.

That is the end of the letter from the gentleman from Texas, a meatpacker.

During the extensive hearings, Mr. Chairman, held by the Small Business Subcommittee during the 86th Congress—and I brought along a volume of it just to show that they were rather full and complete—we found similar conditions throughout the food industry. I am informed that the situation has grown even worse since the hearings held in 1960. While my own study of the subject has primarily been concerned with the disastrous effect upon small business, there is little question that it has likewise imposed hardships upon the farmers of our Nation as well. For instance, in my State of California, Mr. Chairman, the number of farms declined between 1950 and 1959 from 137,000 to 99,000. While undoubtedly some of this decline was due to the explosive urban growth that is taking place in many areas within the State, it is interesting to note that in key farm counties the overall decline ran from 8 to 18 percent, although there was no decline whatsoever in the number of acres under cultivation.

Tragically, particularly heavy declines were noted among the younger farm operators who were in the process of becoming established.

While there is much evidence to suggest that the family farms of the Nation are viable economic units, with powers of survival not suspected by many of those who would have us plan for their imminent demise, there is no question that market pressures work more severely against family farms than against large-scale operations. This is one of the central points of the entire complex of problems which the bipartisan Commission on Food Marketing would be directed to study by the terms of Senate Joint Resolution 71.

In those situations where a small producer of crops, poultry, or meat is of equal efficiency with the larger producer, he is at a grave disadvantage as compared with his larger counterpart when survival depends on a contract with his distributor, because his relatively modest resources do not enable him to command an adequate contract. This situation is found all too frequently in poultry, in dairy, in the meat industry, and throughout the fruit and vegetable sector of the food industry.

The small businessman in retailing or wholesaling faces similar problems. The recent so-called revolution in retailing has led to the growth of chains and the proliferation of supermarkets. Recent FTC studies of the frozen food field indicate that the five largest chainstores, purchasers of frozen foods, bought more than 50 percent of their total purchases of the products studied by the Commission under

their own labels, the largest 20 of the 270 frozen food producers accounting for 65 percent of all sales of frozen foods.

Now, obviously, market power of this kind, both on the supplying and the buying sides, makes survival for the small merchant most difficult, if not impossible.

The comprehensive study called for by the President and provided for by Senate Joint Resolution 71 should make available much needed economic data. There is much that we do not know. Only yesterday my Small Business Subcommittee released testimony received at an executive session from the Federal Trade Commission and the Antitrust Division of the Department of Justice. One of the points made repeatedly throughout their comments, both by Chairman Rand Dixon and Assistant Attorney General Orrick, was that there is a general lack of adequate information concerning both the extent and the effect of vertical integration within the American economy. Both agencies strongly recommended that steps be taken to gather and analyze such information, and much of it I think would be forthcoming from the work of the proposed Commission.

I am sure, too, that the Commission will have recommendations to make both to the Congress and to the enforcement agencies which will prove helpful to the consumers, the small businessmen, and the farmers of the Nation. Indeed, it is my expectation that the work of this Commission can prove most beneficial to both the food industry and the Nation's economy as a whole.

Mr. Chairman, may I just say parenthetically that one of the great problems I feel that we have here is to get over to the consuming public that they do have an interest, which is not always served by what seems to be a momentary bargain which is handed to them as an attraction to get them inside the store. In so many areas one of the things it seems to me which we must stress is that they have a long-range interest here.

Senator McGEE. We mentioned just before you came in, Congressman, that likewise the housewife is beginning to get a bargain or two, reflecting responsiveness with some of the food chains to the investigation of the Congress. We are turning the heat on. They are cutting prices, some assert in testimony here, to allay the misgivings of the housewife, and, in two instances when they had the hot-shot sale on beef to prove to the housewife that they had good intentions, the price of that beef was up on the following Tuesday in the same store, back to its old levels and in one instance even higher than it was in relation to the old levels. So I think that the housewife in this is getting an education and sophistication in marketing practices that can benefit her.

Mr. ROOSEVELT. I thoroughly agree with you. I am delighted to hear it, and I think many dramatic points will be brought out by the Commission and its efforts will perhaps drive this home to people who just plain do not realize today.

There is, however, one caveat that I would like to insert at this point. While a comprehensive 2-year study is, in my opinion, most desirable, still there are crucial problems which must be solved now. Each day sees more small businessmen and more family farms disappear. It is therefore my hope that the adoption of this resolution will not be considered as a moratorium on legislation which is so vitally needed in this and related areas.

Again it is to be noted that the word "antitrust" does not appear in Senate Joint Resolution 71 in its present form, and I think I perhaps understand the parliamentary reasons why. Unfortunately, we were not able to have the same process over in our body. I am sure that you would agree that there are grave antitrust implications arising from the facts under consideration by the committee and those which will be studied by the Commission. It is my hope that the Commission in its wisdom will see fit to make specific recommendations regarding the enforcement of our antitrust laws and, if they deem it necessary, the enactment of new laws to more adequately preserve competition within the food industry and related sectors of our economy.

Senator McGEE. I would like to assure you, Mr. Congressman, that the purpose of this hearing and the purpose of the revised form of the President's Commission is to get on the road now, not next month or next year but now, that it is the urgency of the question rather than any excuse that might otherwise be contrived to have a protracted look at this taken some time in the future.

Mr. ROOSEVELT. Thank you, Mr. Chairman, and I think that it is most important.

In closing, sir, I would simply like to observe that the present situation, in which livestock producers have sustained a value loss of from \$60 to \$80 per head since 1962, while simultaneously retail food chains have increased the gross spread on retail cuts from the same steer by over \$100, is, it seems to me, an intolerable situation. It is unfair to the consumer. It is unfair to the farmer. It is unfair to the small businessman. And the figures which I have just given, as I understand, are based on choice steers. On lower cuts I am told the spread is even greater.

Senator McGEE. This is another one of the areas where the housewife is sometimes misled. When they quote beef prices in the Thursday ads in the press, sometimes she is not aware of the difference in the grades of meat being so priced and compares only the very large 59 cents or 89 cents a pound that is used there.

Mr. ROOSEVELT. Exactly, and I think we do a great service in bringing it home to the housewife and to the consumer. In testimony taken by the House Small Business Subcommittee, similar situations were described involving sales below cost by National Dairy, Borden's Milk, Beatrice Foods, Safeway, National Tea Co., and other firms almost too numerous to list.

The poultry industry has also been shown in our hearings to be subject to the market strategy of the chainstores and the integrated producers. This Congress must not sit idly by and permit the destruction of the livestock industry, the farmer, and the many small firms subject to the immense pressures brought to bear by giant integrated firms. We must act now, it seems to me, to protect the rights of the millions of small businessmen engaged in processing and distribution of foodstuffs. Freedom of opportunity to compete must be preserved. We say often that we are for the free enterprise system. We don't say enough that we are interested in the free competitive enterprise system. It is the only insurance that the consumer in the long run will get a fair deal. The Nation's farmers and small businessmen cannot ask for more. We must not give them less.

Thank you very much.

Senator McGEE. You have given the evidence that your committee has already brought to the surface, and additional evidence has been submitted here, so that the committee has reason to raise the serious question who has repealed the laws of supply and demand, who has encroached upon the areas of the competitive free enterprise system, because these are rather fundamental characteristics of the kind of system at least we thought we had, and we need to know whether we are still going to have it or whether it is desirable and we are coming up with no preconceived notions on that question.

I would like to ask one question, in view of your long studies on this matter, and the volume that you have in front of you is testimony to the thoroughness of that study.

During the course of your investigation of this question, did you encounter any reluctance among prospective witnesses to testify out of fear of any economic retaliation?

Mr. ROOSEVELT. Mr. Chairman, I can just say to you that as an example we held some hearings in San Francisco with respect to the canning industry. I can only tell you that in spite of every effort by the committee to guarantee that there would be no reprisal from anybody we had an impossible task in attempting to bring witnesses before the committee. One witness who finally came before us and gave us what seemed to be a look behind the Iron Curtain, so to speak, was a gentleman who was immediately attacked as being a bad businessman, whose reputation was not of the highest, and I believe he suffered rather severely from the beating he took as a result of being before the committee. We found it very difficult. People would come to us time and time again off the record and before the hearings, and even after them, and say, "You are on the right track. We wish we could testify, but we can't afford to testify." This seemed to me to be a most unfortunate situation in our country.

Senator McGEE. Well, you have been exposed to that for a considerable period of time. I am newly involved in this in this committee at this present moment, and I have been rather shocked at the numbers of people that have said to me, "Keep going, but don't call on me because I would be destroyed." How much that is the figment of their imagination and how much it is real and reflects real pressure is an open question, but those are the questions to which we need to find the right answers.

Mr. ROOSEVELT. I think, Mr. Chairman, if I may say, it would be well wherever possible, without of course embarrassing good citizens—and we certainly do not want to hurt anybody in any investigation—to point out openly that there are people who have come and who have said they would like to help us but do not feel they can. I think we should try to find out why they can't.

Senator McGEE. The testimony to this committee thus far has revealed a case of a cattleman in the Denver area whose cattle sales were terminated by one of the chains because he had made a public statement favoring a study of this aspect of our economy. In another case testified to by a farm official in the West, a feedlot operator was likewise cut off when he had spoken out. In the third case a director of a cooperative marketing operation said he could not afford to come here to testify because his biggest purchaser was one of the food chains in his area and he would be out of business, his group would be out

of business. We had word, not yet testified to but by telephone, of a newspaperman who said when he printed the story of this hearing one food chain cut off his ads for that weekend's food sales that amounted in his case to a good many hundreds of dollars.

So at least there are those that assert there is this pressure and this intimidation and this kind of threat, this retaliation that is being employed by some. Who that may be, and its extensiveness, is part of our central inquiry.

Mr. ROOSEVELT. I certainly agree, sir.

Senator McGEE. I want to thank you, Mr. Congressman, for being here. Does the Senator from South Carolina have a question to raise?

Senator THURMOND. Thank you, Mr. Chairman. Congressman, I am just wondering if you feel the chainstores constitute a monopoly?

Mr. ROOSEVELT. Sir, I would say to you that in some areas there is no question but what that is the case. I think you will find it in the testimony, which I would certainly be happy to make available to this committee. On the other hand, in many areas the chainstores are highly competitive. In the Washington area there can be no question, I think, that there are enough chainstores operating under different ownership so that there is a competitive situation. But we found many areas in the country where the chainstores are pretty monopolistic, where they really do control the situation.

We found one area in the State of Florida, which is listed in here, where there were three chains in the area, a rather large city, where they had to all intents and purposes divided up the city into areas and each of them concentrated their efforts in one part of the city.

The fact that this may today be going on in only certain areas, it seems to me, is not something we should just disregard because it is not universal yet. It should, it seems be considered a warning that we better see what can happen and be prepared to do something about it before it does take place on a far broader scale.

Senator THURMOND. The reason I asked you that question is that I have had some complaints down my way that the chainstores fix the price of peaches, the price of watermelons and cantaloups, and whatever they fix, that's it.

Mr. ROOSEVELT. I think our testimony would support that in many items in fruits and vegetables, without any question.

Senator THURMOND. Sweet potatoes, I think, was another. I just wondered if you had occasion to go into this matter.

Mr. ROOSEVELT. Yes, sir; we have, and I think you will find it here. There is a good deal of evidence where the large purchasing power of the so-called integrated system goes back to actually buying on the farm; that there is no question about it that they exert, if not all of the influence, the primary influence in the setting of the price.

Senator THURMOND. Of course, it is not just the local stores or ranches that are responsible, but if it does exist—and I do not say it does exist. I am just trying to find out some facts. If it does exist it is probably an overall policy that is made at some central place.

Mr. ROOSEVELT. That would be my conclusion, too.

Senator THURMOND. I am wondering if there is any evidence of any monopoly and if the Justice Department has looked into this question.

Mr. ROOSEVELT. I think the Justice Department has perhaps not concentrated in this area because, partly, they have indicated in some replies, as I have stated a few minutes ago, they lack the funds to establish the basic data from which they want to work. It would be my hope that this Commission would provide some of the basic data upon which they could go forward and develop some specific cases.

Senator THURMOND. Maybe they can transfer some of these so-called civil rights lawyers over to that work.

Mr. ROOSEVELT. Well, you remind me of a funny story. I was down in New Orleans one day, and I was talking about the integrated food chains. Somebody said, "Please don't call them integrated. You can call them anything else you want, but don't call them integrated."

Senator THURMOND. That is all, Mr. Chairman. Thank you.

Senator McGEE. The Senator from Texas.

Senator YARBOROUGH. Congressman Roosevelt, I have read your statement since I have been here. I want to commend you on it for the grasp of this problem from the standpoint of economics it shows, as well as law, and I am impressed in your own statement that in the short space of 9 years the number of farms declined from 137,000 to 99,000, a tremendous decline. We see organizations now advocating—and I have seen columns in the papers in the past week advocating—the liquidation or elimination of what they call the marginal farmers, the small farmers, as uneconomic.

As of this time, only 13 percent of our people live on the farms, and I point this out not as an example to follow but as a matter I think we should consider. In West Germany, with their very high rate of industrialization and very high technocracy, they have on farms about 35 percent of the families, and they have made it a national policy.

The per unit of subsidization of agriculture is greater than ours, and not for the same reasons. They have found from the standpoint of national virility and strength that it pays to keep a strong farm population to feed their industrial machine, to feed people into the cities, and if they get in a war, of course, they feed their military forces, too. They have pursued policies, and pursue them today, to keep a vigorous farm population, and 35 percent of their population is there. We have pursued policies, both nationally with our national laws on agriculture, subsidization to bigger farms, bigger to them than to a small one, and we have pursued economic policies or let economic policies run uncontrolled practically except for the investigations that you have conducted and others of similar type in the Senate and some Federal agencies, unquestioned until they have squeezed out the family farm and the corporation type of farm has grown up instead.

I want to commend you for the investigations you have carried on with your subcommittee that you have mentioned in this report, and have mentioned the point that the type of subcommittee investigation that you have conducted, the type that Senator McGee has conducted here, is needed in this country, and we need to put even more time and drive into them.

You pointed out here that there has been a value loss per head of livestock on the hoof, of one animal loss of from \$60 to \$80 per head since 1962, alone. I believe that is since about December of 1962. That was the point they started dropping, less than a year and a half. Simultaneously the retail food chains have increased their gross spread

on retail cuts of meat to the consumer, which is enough to show the necessity of this comprehensive investigation. And I think the investigation ought to be one with teeth in it, not a powder puff investigation.

Mr. ROOSEVELT. I certainly thank you, and if I may make one final comment I think that those figures prove what the chairman said a few minutes ago, which is that we are all for the law of supply and demand working, but when it does not work, when something seems to be disturbing it, it seems to me that the Government, in the interests of the people, has a very proper duty to find out why it is not working. **This is not punitive.** This is not interference with the normal course of trade. It is a proper duty of government to see who is taking advantage of a situation and preventing the normal course of supply and demand.

Senator YARBOROUGH. Congressman Roosevelt, that was also the spirit of my question. It is not punitive but to see what is wrong with that segment of the economic system when it is working so poorly. While the livestock producers were losing in value \$60 to \$80 per head of meat on the hoof since 1962, what was happening to the merchandisers of that meat? Were their profits going down? What have been their livestock dividends during the past years? Have they gone up or down?

Mr. ROOSEVELT. The answer is the consumer has paid more and the profits of the retail chainstore have not declined.

Senator YARBOROUGH. They have actually increased. So somebody is making more money and somebody is making less, and it does not seem to me the thing is in balance at all from the facts we know so far. It is claimed that the expenses of the merchandisers, the chains, have gone up, that it costs more to package and get that meat across the counter to the consumer. That was the reason for my question. Have their profits gone up or down while the gross money to the producer is going down? I know the producer is not making any money. He is losing money. It is not a question of profit for him. He is losing on every head. It is a question of hanging on to his farm or ranch until he can again begin to make a profit, but have the profits to the retailers, not their gross prices but their profits, gone up?

Mr. ROOSEVELT. Their profits have also gone up, sir.

Senator MCGEE. I understand the Congressman has a committee on his side that is getting underway, and time is a factor for him. I want him to know how much we appreciate your taking the time to share your wealth of information and experience and judgment on this very complex question, and you can be sure we will be picking your brains some more.

Mr. ROOSEVELT. Thank you very much. I am looking forward to cooperating with you and other members of the committee.

Senator MCGEE. I should mention that this has a curious side. At the moment the Government is usually said to interfere with business. It depends on whose business, I suppose. It is asserted that it sometimes impinges on the elements of free enterprise. Here is a notable case where the Government is trying to preserve it, to protect it, to make it stronger. I think that this is the real focus of an examination of the type that the Congress has pinpointed.

I have in my hand a petition from the National Federation of Independent Businesses, representing some 200,000 individual men and women in business, supporting enthusiastically the purposes of

this investigation. I note in there that this also includes some 1,539 members from the State of Wyoming. The interest of the small business groups in here brings again to the surface and into focus the point made earlier this morning by Senator Gore that we want to know whether the small businessman is in a position to compete here, what is happening to him in this new marketing operation.

For the record, the Chair would like to say that he has just returned this morning, at 2 a.m., from Denver, Colo., where he had interviewed some people that asked to talk to him there. They asked to talk for two reasons, and I want this on the record. One was from some who said, "We can't afford to come to Washington from the standpoint of cost. We are little guys. But please stay on the track. You are putting your finger on an area where we personally have found it very difficult to maintain our independent positions as individuals.

"We are delighted that as a person involved in this look by the Congress we could see you out here in the West rather than having to come all the way to Washington, because of the cost factor."

The other group said that they had to talk to me there in Denver, Colo., because they were afraid to come to Washington. The extent again of this kind of expression becomes a point of further inquiry by this committee. A committee of the Congress can command anyone, I suspect, to testify, or almost so. But I think it is an interesting reflection on the sweeping aspect of this problem that such expressions as these two to which I have just referred would come up in the course of this investigation.

I have here a telegram from the Carroll County Beef Producers Association in Carroll, Iowa, completely endorsing the point of the investigation—the marketing practices of the chainstores.

(The telegram is as follows:)

CARROLL, IOWA, April 3, 1964.

Senator GALE W. MCGEE,
Washington, D.C.:

Fully accord with efforts investigating beef price spread between producer and consumer, especially chainstores.

CARROLL COUNTY BEEF PRODUCERS ASSOCIATION.

Senator MCGEE. This one from W. A. Hahle, of Aurora, Nebr. The fifth district of the Nebraska Farmers Union comprising nine counties in meeting in Aurora resolves in favor of thorough investigation of the food chains.

(The telegram is as follows:)

AURORA, NEBR., April 6, 1964.

HON. GALE W. MCGEE,
Senate Building,
Washington, D.C.:

The fifth district of the Nebraska Farmers Union comprising of nine counties in meeting in Aurora, Nebr., April 4, 1964, passed the following resolution: "Be it resolved, That we go on record in favor of a thorough investigation of the spread in prices between farmer and consumer prices in beef."

W. A. HAHLE.

Senator MCGEE. I think it well to make part of the record, since Safeway Stores has been specifically referred to here in testimony of the chairman of the House subcommittee that looked into this question, a statement from the president of Safeway Stores, Inc., to the chairman of the full Commerce Committee, Senator Warren Magnuson. It is an extended message of several pages, and thus I will

not take the time to read it into the record, but it will be included as though read. It is also the subject of a public relations release by Safeway Stores sometime over the weekend.

(The statement referred to follows:)

OAKLAND, CALIF., April 3, 1964.

WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
Senate Building, Washington, D.C.:

In view of your position as chairman of the Senate Commerce Committee, I am writing you regarding President Johnson's request for an investigation of the structure and performance of the entire food marketing system in this country.

Safeway will welcome an objective study that is concerned with determining the facts. We believe that such an investigation will clear up misunderstandings of how low-cost distribution is achieved through modern supermarket merchandising, and how it benefits both producers and consumers.

As so often happens when individuals or segments of industries suffer economic hardship, there is a rash of complaints and unsupported charges as to who is to blame. In the present instance, depressed livestock prices have resulted in serious financial stress for numerous cattle growers and feeders. In this situation, some of the less responsible journalists, persons with political axes to grind, and others have made serious allegations. They have claimed that Safeway, as well as other supermarket chains, has compounded the producers problem of heavy beef supplies through unfair buying practices that depress prices, and maintaining high retail prices despite lower cattle and wholesale beef prices.

On the contrary, it has always been Safeway's policy to help any group of suppliers or producers when they find themselves in a dangerous situation of oversupply. We have demonstrated this many times in the past with aggressive promotions aimed at moving produce, poultry, meats, and other commodities. The record contains numerous cases of Safeway's participation in campaigns which have succeeded in cutting down burdensome surpluses of agricultural commodities that were overhanging the market.

Participation in these campaigns is simply good business for Safeway. We need growers and producers we can depend on year after year to supply us with the quantities, qualities and varieties of products required to serve our customers. The very existence of such growers and producers depends on a healthy agricultural economy. Furthermore, the families of growers, feeders, shippers, and local businessmen directly dependent on agricultural income make up a substantial segment of our customers.

To illustrate our awareness of the seriousness of the present cattle situation, and our desire to do something constructive to help correct it, I recently sent the following wire to each of our retail division managers:

"Since dressed beef prices have fallen to a new low for post-World War era, we strongly urge retail outlets to step-up beef promotion. Consumers can reap benefits as abundant supply of beef is now offered at true bargain prices. In view of the situation in which the feeders find themselves, it is imperative for our company to do everything possible to give these people help."

Our records show that Safeway has reduced its beef prices materially this year, and has aggressively promoted beef. The timing of specials and other price reductions, along with the selection of beef cuts to be featured, must fit into our merchandising and competitive programs for all commodities. The success of our beef merchandising effort is shown by the volume we have moved. While the U.S. consumption of beef increased by 7 percent in 1963, Safeway's beef tonnage in 1963 was 14 percent higher than 1962. In the first 8 weeks of 1964, with aggressive promotion and lower retail prices, our beef tonnage further increased to 16 percent over a year ago. Current movement of beef continues to show substantial increases.

In addition to giving special promotional attention to agricultural products that are in trouble with oversupplies, Safeway has continually worked with growers and producers in research projects aimed at helping them improve their production and marketing methods. As an example, at the request of the California Cattle Feeders Association, Safeway participated in a beef cut-out contest last fall. The objective of the contest was to provide information helpful to producers in determining types of beef cattle and methods of feeding

that would produce the greatest returns to cattlemen. In such cutout contests or demonstrations, a retail valuation index is computed merely to show differences between animals. This index is not a measurement of profit and the cattlemen for whom the cutout tests were made understood this. Others, however, without determining the facts, have used the contest data as a basis for charging profiteering in Safeway's retail pricing of beef. Contest results were not intended to and made no allowance for specialing, other price markdowns, shrinkage, and other revenue losses to the retailer which inevitably occur in meat distribution, or any provision for labor and other operating expenses.

Safeway has also been accused of engaging in livestock production and feeding, allegedly for the purpose of holding down prices of livestock. The facts are that we purchase only carcasses and cuts. We are not a packer, we own no cattle, and we do not feed or slaughter either directly or indirectly. Our policy on beef, as it is on other commodities, is to buy the best quality available at prevailing wholesale market prices, and to sell it to consumers at competitive retail prices. Competition leaves no room for profiteering even if we were inclined to attempt it.

We want to emphasize again that we will welcome an investigation provided it is fair, impartial, factual, and is not used merely as a platform for irresponsible charges or election year politics.

R. A. MAGOWAN,
President, Safeway Stores, Inc.

Senator McGEE. We will also include in the record at this time a resolution from the Colorado Cattlemen's Association, endorsing the purposes of this resolution and the goals of this committee in the investigation. It is endorsed by over 4,400 Colorado cattlemen. These are not the feeders. These are not the packers. These are the cattlemen themselves. Sometimes it has been asserted we are not immediately and directly affected by the price squeeze that is taking place at the present time.

(The resolution referred to follows:)

COLORADO CATTLEMEN'S ASSOCIATION,
Denver, Colo., March 24, 1964.

Hon. GALE MCGEE,
*Senate Office Building,
Washington, D.C.*

DEAR MR. MCGEE: It has been called to our attention that you might be able to use the enclosed information, now that you are holding hearings on mass retail marketing procedures.

The enclosed is a copy of a resolution passed during our midwinter convention in Colorado Springs, December 1963.

This resolution is endorsed by over 4,400 Colorado cattlemen through membership in the association.

If any further information is needed, please let us know.

Sincerely,

DAVID G. RICE, Jr.,
Executive Vice President.

RESOLUTION No. 4—MARKETING PROCEDURES ADOPTED AT THE MIDWINTER CONVENTION, COLORADO CATTLEMEN'S ASSOCIATION, COLORADO SPRINGS, COLO., DECEMBER 7, 1963

Whereas there have been many theories advanced as to the present marketing procedures, some being very critical of the various segments of our industry; and

Whereas these criticisms and theories should be either discredited or proven for the good of the industry: Therefore be it

Resolved, That the Colorado Cattlemen's Association support Senate Joint Resolution 71, which would authorize and direct the Federal Trade Commission to conduct a full and complete impartial investigation of the purchasing processing, marketing, and pricing practices of chainstore operators engaged in commerce with a view to determine whether any of such practices are in violation of the antitrust laws; and that the results of this investigation be

transmitted to Congress with a report of any action to be taken by the Commission, if such action is warranted, and that the Commission make such recommendations as they may deem appropriate for further legislation by the Congress.

MARCH 27, 1963.

Mr. PAUL RAND DIXON,
Chairman, Federal Trade Commission,
Washington, D.C..

DEAR RAND: On Thursday, March 28, it is my intention to make a few remarks in the Senate regarding the disastrous drop in the price of fat cattle over the past few months. Although the price dropped from \$7 to \$8 per hundredweight, this has not been accompanied by a reduction in the price which consumers have paid for beef products.

It appears to me a considerable portion of the difficulty is created by vertical integration of the livestock industry by certain of the chainstores. I feel this matter should be thoroughly investigated by the Federal Trade Commission as well as by the Packers and Stockyards Division of the Department of Agriculture.

It seems to me most unwarranted when there is a 25-percent reduction in the price of live cattle, and a corresponding decrease in the price of carcass beef, that the retail price of meat remains unchanged.

In my remarks before the Senate I will call for an investigation by the Federal Trade Commission, as well as requesting the appropriate committees of the Congress to look into the matter.

Sincerely yours,

GALE W. MCGEE, *U.S. Senator.*

MARCH 28, 1963.

Mr. PAUL RAND DIXON,
Chairman, Federal Trade Commission,
Washington, D.C.

DEAR RAND: As you well know, the price of fat cattle has fallen the past few months to such a degree that the situation which now prevails is most alarming. Prices which it took several months to build up to a degree of profitability for the producer have fallen so that all gains, as well as additional losses, have been sustained in a few short weeks. That this condition exists is to me outrageous and most shocking.

Our producers are consistently being told that it is imports of fresh and frozen meat products from abroad which cause this situation. I find this difficult to believe, however, since the month of the biggest drop in cattle prices—January 1963—was also the month that imports from abroad were reduced approximately 30 percent.

From my investigation of this matter, it certainly appears to me that the marketing practices of some of the large chainstores are to blame. The price of fat cattle has dropped \$8 per hundredweight and yet there is no evidence to show that the retail price of meat at the stores has dropped at all. Parenthetically, to show how the chainstores have profited, the packers have also received greatly reduced prices for carcass beef. In order to assure not only the producer, but the public as well, of getting a fair deal from the price fluctuations, I feel the Federal Trade Commission should conduct a full-scale investigation into the marketing practices of the meat industry. This should include all phases of the industry, but greatest emphasis should be placed upon the vertical integration of the meat industry by some of the largest chainstores.

My recommendation would include full-field investigations, the subpoenaing of records, and the questioning of witnesses by your most highly trained investigators.

The time has come, in fact is long past due, when all the cards should be laid on the table. The public, because of its unfamiliarity with the subject matter, blames the producer for high prices; the producer tends to blame imports; packers are often caught in the squeeze between the two, and nothing is done to put the whole question in its proper perspective.

I hope the Commission will agree with me that this is a most serious matter which requires immediate attention and that you will launch a full-scale investigation into the subject.

You can be sure that I shall cooperate in every way by bringing to your attention what information is available to me and the facilities of my office will be readily available to assist in any way that we can.

Sincerely yours,

GALE W. MCGEE, *U.S. Senator.*

FEDERAL TRADE COMMISSION,
Washington, D.C., April 9, 1963.

HON. GALE W. MCGEE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: In your letter of March 28 you point out that within the past few months the price of fat cattle has fallen to such a degree that the situation which now prevails is most alarming. You state that from your investigation it appears that marketing practices of some of the large chainstores may be to blame in that although the price of fat cattle has dropped \$8 per hundredweight, there is no evidence to show that the retail price of meat at the stores has dropped at all. You further point out that the packers have also received greatly reduced prices for carcass beef. You state that it is your feeling that the Federal Trade Commission should conduct a full-scale investigation into the marketing practices of the meat industry, with greatest emphasis upon the vertical integration occurring within the industry by reason of the activities of some of the large chainstores.

Recently, Mr. W. C. Crew, president and general manager of the Denver Union Stockyard Co., and a group of his associates, called upon me to discuss this same situation. It developed, however, that they had no concrete evidence nor did they know that any existed, by which it might be proved that the large chainstore buyers were in agreement among themselves to depress prices which they are paying for carcass beef or, in the case of those chainstores which are packers themselves, to depress the prices they are paying for fat cattle. And, as you can fully appreciate, for the Commission to undertake an investigation such as the one you suggest without reason to believe that specific laws are being violated, although appearing desirable, would be difficult to justify in view of our limited budget and personnel. Also, an investigation limited to the meat industry would, in my opinion, provide only a partial answer to the overall problem.

I would be remiss if I did not also point out to you that when the Commission approaches the meat industry, whether it be beef, pork, lamb, or poultry, we have considerable difficulty because of the limitations Congress imposed upon the Commission in the passage of the Packers and Stockyards Act, which difficulties were not completely alleviated by passage of the O'Mahoney Act.

On the other hand, I have discussed this matter with my colleagues and it is our view that perhaps the time is very well ripe for a thorough investigation into the general marketing and pricing practices of the chainstores. It has been our observation, based upon complaints and past as well as current investigations and formal actions, that the activities of various chainstores are indeed difficult, if not impossible, to understand under our system of free, competitive enterprise. The practices of which you complain in the cattle market are not unlike the many complaints we have received with respect to the poultry market. Already in conjunction with the Department of Agriculture we have given this matter considerable thought. We also have much of our resources tied up in the investigation and prosecution of cases involving pricing practices in the fluid milk industry. The same applies to the bakery industry, and, indeed, to the food industries generally. I suspect that much of the trouble is occasioned by the vertical integration not only of the meat industry but also of the food industries as a whole and of the chainstores as well. And so, as I have said, a general, full-scale investigation into chainstore activities would be highly desirable.

With this in mind, I would make this recommendation to you for your serious consideration. I suggest that you have prepared for introduction a joint resolution directing the Federal Trade Commission to hold public hearings into the marketing and pricing practices of chainstore operators. I suggest that the resolution cover the entire field of chainstore operation and not be limited to trading in meats because if it is broad enough to cover some

of the other troubled sectors of our economy, such as the poultry industry, the packing industry, the canning and baking industries, and small business generally, you might very well pick up considerable additional support for it. Also, I have in mind that within the last 20 years, large chainstore operators have engaged more and more in the use of private labels. The use of this device has created great havoc among all producers. With the economic leverage that chainstore buyers possess it is possible for them to manipulate various facets of the market just as an organ player manipulates the keys on an organ. Whether or not our laws are now adequate on this subject, I am not certain. Whether they should be changed and, if so, in what respect, I am not certain. I do believe, however, that these and other related questions might be resolved if the same type of investigation were conducted by the Commission as has been conducted by it in the past under joint resolutions of the Congress.

If there appears to be any merit to this recommendation, I would be very happy to cooperate with you in any way in helping to implement it.

With kindest personal regards, I am,

Sincerely,

PAUL RAND DIXON, *Chairman.*

Senator McGEE. The committee, lacking a quorum, will recess until Monday, April 13, at which time testimony from Mrs. Esther Peterson, the President's Special Assistant for Consumer Affairs, will be heard. She will be followed on Thursday, a week from tomorrow, by Secretary of Agriculture Orville Freeman.

The committee will stand in recess.

(Whereupon, at 10:17 a.m., the committee recessed.)

STUDY OF FOOD MARKETING

MONDAY, APRIL 13, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met, pursuant to recess, at 8:39 a.m., in room 5110, New Senate Office Building, the Honorable Gale W. McGee presiding.

Senator McGEE. The session of this committee looking into the question of marketing practices of food chains will resume.

I have been asked again the position of the committee on testimony in behalf of the food chains themselves, and once again I repeat for the record that the food chains were invited to testify on the last meeting date of this committee, Wednesday, April 8.

Their counsel advised the staff that that was an inconvenient date, and they asked for another opportunity.

Since then, Mr. James F. Rill, the attorney for the National Association of Food Chains, has notified the staff of the committee that the chain organization is not interested in testifying at this time.

The committee will continue to press them to utilize the sessions of this committee in order that we may write as full a record as possible.

We are interested in answers, and the right answers, to the questions and not in merely framing the questions.

We are hopeful that the chains will follow the example of one of them, Safeway Stores, Inc., not only in welcoming this study but in participating in our quest for intelligent conclusions in regard to the points that have been raised thus far in the study.

So again, for the record, I urge the food chains and any other interested groups, who have a contribution to make to this very difficult question of the concentration of economic and market power and its relationship to marketing practices in the food business in this country, to cooperate with the committee in supplying all of the information that they can that will help us to write a sound and complete record.

Now, our witness today makes it worthwhile to start a Monday morning at this early hour of the day. Mrs. Esther Peterson, who is the Assistant to the President of the United States for Consumer Affairs, who is the Assistant Secretary of Labor, Labor Standards, and Director of the Women's Bureau, is the best reason I know for turning over the forces of our Government to the feminine side of our society.

Esther, the committee is proud to have you here this morning and looks forward to the contribution that you can make in discussing

the myriad of questions and unknowns to which we are trying to seek intelligent answers.

We welcome you to the Monday morning "dawn patrol."

**STATEMENT OF ESTHER PETERSON, ASSISTANT TO THE PRESIDENT
OF THE UNITED STATES FOR CONSUMER AFFAIRS**

Mrs. PETERSON. Thank you, Senator. I am very pleased to be here. And I must say it is not very early in the morning for a housewife who gets up and gets going. I am sure that is true for everyone here.

I am pleased to be here this morning and to voice the interest of the consumer in support of the President's proposal for a bipartisan commission to study the changes taking place in the food industry in the United States.

I support this proposal. I feel certain that American consumers will welcome such a study. They cannot help but benefit from a careful, thorough, unbiased appraisal of the present structure of the food industry, all along the line from the producer to the retailer. Especially will they benefit from a knowledge of the elements in the cost of the food they buy.

Consumers are concerned, and they want to know. They have a right to know—a right recognized by both President Kennedy and President Johnson in their messages on consumer interests. In recognition of this right of consumers to be informed, the Commission will perform a needed service if its inquiry results in some simple, intelligible explanation of retail food costs so that ordinary people can understand them.

I need not emphasize the importance of food to Americans as consumers. It is the largest single element in the family budget. Typical American city families with incomes averaging \$6,230 after taxes spent about 23 percent of their dollars on food in 1960-61. Families with low incomes, under \$3,000, spend an even higher percentage.

All of us who shop want to get the largest quantity, the most value, the greatest amount of real satisfaction for the dollars that we spend. This is especially so for people with limited incomes and limited funds, where every penny counts. And there are far too many of them, as the President has pointed out in his message on poverty.

I believe, therefore, that the Commission should pay particular attention to the level of prices and to the quality of foods sold.

We all know that food prices have risen over the years. In February of this year, the retail prices of food bought by the typical American families were up about 6 percent over 1957-59, while prices of other elements in the family budget were up considerably more—almost 8.5 percent, according to the Bureau of Labor Statistics.

Prices of fruits, vegetables, cereals, and bakery products have risen most. Retail meat and poultry prices are down about 2 percent from 1957-59, according to Bureau of Labor Statistics reports.

For certain foods—sugar, coffee, frozen juices—the consumer has seen sudden fluctuations in prices that he neither understands nor likes. As consumers, we need to understand food markets and the nature of competition and costs in these markets better than we do now.

For other foods—particularly meats—the consumer is aware that the return to the farmer has decreased but prices at retail have not fully reflected this decrease. The spread between what the farmer receives and what the consumer pays has been widening. During 1963, the spread between the retail cost of food and the farmers' share of the dollar spent by the consumer increased 4 percent. The farmers' share of the food dollar—37 cents—was the smallest since 1934, when it was 34 cents. The consumer should know not only where the other cents have gone but why the pattern of distribution has changed.

We are all aware of tremendous changes in the food distribution system in this country since the end of World War II. The President, in his message on agriculture, pointed to the fact that while there are 200,000 retail grocery stores in the United States, \$1 out of every \$2 spent for groceries goes to fewer than 100 corporate, voluntary, or cooperative chains. We need not depend only on statistics to confirm the scope of these changes. We have seen them.

We remember the local grocery store, the neighborhood fruit stand, and the little butcher shop. One need only leave the United States and travel almost anywhere else on this earth to realize how fantastic the differences are in 1964 from any other place and any other time.

The basic questions the consumer asks are: How have these changes affected me? What is my relative position in the marketplace now compared with what it used to be? Have the technological improvements in producing and marketing been translated into value for me?

These should be among the questions answered by the Commission proposed in the bill that is before you.

Section 4(a) of the bill sets forth the duties of the Commission. I am pleased that one of these duties—in section 4(a)(3)—would direct the Commission to study—

the kind of food industry that would assure efficiency of production, assembly, processing and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer.

To my way of thinking, this should be done in terms of alternatives.

The study ought to be of sufficient depth and thoroughness to assure that consumers will be able to pinpoint areas where they are not getting full value.

I think the Commission ought to seek answers to these questions, among others:

Are the economies of large-scale production and distribution being passed on to consumers?

What accounts for the growing spread between what the consumer pays and what the farmer gets? Given this redistribution of the consumer dollar, what additional services and benefits are provided that might explain this redistribution?

Are State and Federal laws governing the grading, branding, packaging, and labeling of foods adequate from a consumer point of view?

As I read the bill, I think an investigation of this scope is intended. If it is not, then I think it should be.

There have been many allegations, hypotheses, charges, and counter-charges concerning practices in the food industry. Many factors have been pointed to as the root cause of our problems—import

policy, vertical integration, advertising, excessive speculation in commodity futures, rising wage scales, chainstore concentration, and even the weather. It is time for guesswork to be replaced by facts. The determination and the publication of the facts will satisfy the consumers' right to know to which I have referred.

As the special Assistant to the President for Consumer Affairs, I can assure you that the desire to be informed is real and is genuine among consumers all over the United States. I think one of the main services I can render this committee today is to impress upon you the tremendous interest around the country in various problems and practices related in one way or another to the food industry.

Since my appointment I have been in many States in all sections of the Nation. I have talked with people from all walks of life. My office has been deluged with mail from north, south, east, and west. There has been no aspect of American life that has been talked and written about more by these people than food and food marketing.

I should like to illustrate some of the problems people have written about. I offer them here today as examples of a feeling that, with all of our technological and productive genius, the consumer is frequently the forgotten man or woman—if not actually being misled and sometimes even hoaxed.

I offer them not to indict industry as a whole, nor to chastise any particular segment. Rather I want to impress upon you that in the United States today people are awakening more and more to their rights as individuals, and these rights include their rights as consumers. They have their dissatisfactions with the food and food marketing system, and they are more and more beginning to demand corrective action. It is in the best interests of all of us—Government, farmer, packer, packager, distributor, retailer, advertiser, and everyone else involved—to listen, to learn, and to know.

From Maryland, a mother writes me:

With a family of five young children and 25 percent of my husband's weekly pay going for food and milk I am concerned with some of the tricks that go on to take my money in nickels and dimes and pennies which all add up * * *. Most important to me as a food shopper, of course, is the nonsense that goes on in the supermarket. I want my savings on each package of food * * * not with fabulous trips around the world * * *. I want the manufacturer to be honest enough to have enough faith in the quality of his product to be able to sell it in old-fashioned standard weight packages * * *. I want a fair chance to decide which product I want, the cheaper or the better quality * * *.

I might add here, Senator, it is very interesting to me as I read the letters how many of them state really statistically what our statistics show. They say, "My husband makes," and they will say around \$2 an hour, \$2.30, or something, and, "I have two children. We have a family of four." And these are the typical average families in our society. And it is interesting to me that this is the type of person from whom we are hearing.

This, to me, referring again to the letter that I read to you from the woman from Maryland, is what President Johnson was talking

about when he emphasized a second right of consumers—the right to choose. In the case of the food industry, it is intimately connected with the right to be informed.

A woman from Pennsylvania put it this way :

I am a housewife and a mother of seven, in the middle-income bracket * * * I have long been concerned with the problems of * * * false bargains * * *. There is something that makes food shopping emotionally exhausting. This is the increasing practice by the food companies of raising the cost of foods again and again with useless "improvements." Why make a new "instant" hot cereal when the original form only took 5 minutes to cook and tasted much better? Why make costly fancy-shaped bottles that are going to end up in the trash basket along with the ordinary mason jars and tin cans? Why sift our flour for us, and mix our cinnamon-sugar? * * *. Convenience foods are wonderful for those whose time is limited or whose budget isn't, but it is getting to the point where the consumer can't buy anything else. * * *.

I think we would make a mistake if we were too critical of so-called convenience foods. They may be more costly, pound for pound, but obviously they fill a need for many housewives. And I this time speak from experience because I know what they mean to me. But we ought to know the extent to which it is true, as the Pennsylvania mother of seven wrote, that, "It is getting to the point where the consumer can't buy anything else."

To my mind, we have to answer the question whether the growth in production and marketing of convenience foods have driven out of the market the simpler, less processed, less expensive products which served the same purpose at less cost.

Putting it another way, does the consumer now have less choice and a higher and more limited price range? Have some of these innovations been an additional benefit, or has the consumer been forced to give up some other service?

I have been particularly impressed with the voices of those people who have limited incomes. An elderly gentleman from Texas wrote:

I am a 70-year-old house husband instead of housewife * * * my income is small and static * * * the advertising (large food stores) do is very costly * * * you should be allowed ample funds to thoroughly investigate all areas of the food industry, and to work to the end that the less able consumer can get his money's worth in food * * *

From the east coast, a woman put it this way :

* * * my husband and I are in a limited income group, he is semiretired and receiving social security and a pension with no chance for an increase in income * * * With us, every time the cost of living rises we must consider what we will have to do without * * * The poor of this country—about whom the President seems to be so concerned—will profit only by reduced costs of living * * *

Then she goes on to say :

* * * After 36 years of housekeeping I am not interested in getting cheese cutters for cheese labels, pitchers for dry milk labels, silver for sugar labels, cookie cutters for flour labels, toys for cereal labels, etc. * * * I could continue to enumerate on the many complaints I have that we are not getting what we pay for, the extras are not filling our stomachs, heating our house, or providing clothing * * *

The price of meat has been a subject of particular concern. An Illinois woman wrote and asked me to "get busy on the price rise issue." And I quote:

There must be many times—
she said—

when new housewives who can't make their husbands' paychecks stretch * * * get tough meat with bone and fat wrapped up in a package they can't see until they get home. By the time all the waste is removed and the price remains the same for this meat * * * that's very expensive.

No one in this room is unaware of the tremendous concern with all aspects of the meat problem. Consumers are concerned with price and value. Farmers are concerned too. A Minnesota farmer's wife wrote me that:

It seems when the price of food goes up the (farmer) gets blamed for it.

The statistics I mentioned earlier show this is not the case at all.

Because of its great importance in our diet, meat is worthy of our special attention.

As I said earlier, I do not mean to—and I think it would be a mistake to—just sit here and indict the food marketing industry. We really are the best fed Nation in the world, and, by and large, we have the best quality food at moderate prices. This has been due in no small measure to the ingenuity of the industry.

But we would be equally mistaken to ignore the fact that there are shortcomings, and that people in general are both aware of them and are concerned with them.

I have had a California housewife ask me:

Is there a possibility I could be arrested if I tear off the papers to inspect the hams before making my selection? Any laws against seeing what I'm buying * * *.

There are many other areas that I will not go into in detail here that have been brought to my attention. Packaging, grading, and labeling have been among the most common.

But I have been particularly impressed with letters that have expressed not only concern, but have implied improper practices. For example, a man from Ohio has written about the price of frozen juices as follows:

In the Nation's press * * * it was * * * reported that the Nation had a sufficient surplus stock of frozen juices to make a price rise unnecessary. Yet the price of juice and fruit rose and continued to rise. This manipulation of the average buyer infuriates me * * *.

Was there? This is what we ought to know.

And from Tennessee a gentleman writes:

Coffee up and down in price. Oh well, another frost in Brazil or some other no good reason * * *.

Now, a frost in Brazil might be a perfectly valid reason for a rise in the price of Brazilian coffee, but should there be the same rise in African coffee?

Here, then, is the warning. We ignore it at our own peril.

When a midwestern housewife who protested against having to pay high prices for meat which was not up to her standard told me to accept her letter as "representing all us women," she may not have realized the amount of truth in her claim. People want to know the

facts, and, on the basis of these facts to see corrective measures applied. It is as simple as that.

In conclusion, it seems to me that because of the tremendous changes that have taken place, the scope of which are not fully known, the establishment of the proposed commission would serve the best interests of the food industry by assuring its own good name, the interests of the Government in assuring that its regulatory practices are based on up-to-date understanding of industry practices, and the interests of consumers in assuring their basic right to be informed in order to assure, as President Johnson said in his consumer message—

that the best practice of the great American marketplace—where free men and women buy, sell, and produce—becomes common practice.

I thank you, Senator.

Senator McGEE. Thank you, Mrs. Peterson.

One of your letter writers in referring to orange juice uses the phrase "manipulated prices," "manipulated consumer." Is it your belief that retail food prices often fail to reflect the law of supply and demand? Do you get many letters like this one?

Mrs. PETERSON. I do, and this is why I raised it. The letters I put in are typical of the kind of letters that I am getting. It is not one. These letters represent not one letter but, as I tried to show, a wave of interest in this.

And they want to know. This is genuine. And very often they feel that the advantages of big crops are not reflected. And this, I think, Senator, is the key to why we need this Commission. We need to know the answers to this. And I think our citizens have a right to know.

There is a great awakening. There is a kind of an intelligent move on. And I am pleased with this. I think it behooves well for the industry as well as for the consumer.

Senator McGEE. I think the point that you made very well is the point uppermost in mind at this stage of the hearings, and that is that we have got to establish, either the truth or the falsehood—

Mrs. PETERSON. That is correct.

Senator McGEE (continuing). For the sake of the industry itself.

Mrs. PETERSON. I feel this way.

Senator McGEE. Because no matter how strongly the chains may feel that they have not committed any of these practices that are being criticized, a large segment of the public thinks they have. And what the public thinks ought to be a matter of concern.

For that reason we could do nothing better for them than to clear the air of the untruths, if indeed they are untruths.

Mrs. PETERSON. I would support this statement, Senator, and not only from my own belief but also from my conversations with men and women in the industry. I am aware of their sensitivity to these questions and also their genuine desire. After all, they only prosper if the consumer is satisfied. This is good business for them.

I am very conscious of the areas I think where I as a consumer representative of the President will be able to assist and advise, because somehow or other there is a funnel of these things here. And is it not really at this moment of history, when we have this tremen-

dous abundance, that our problems have come out of the great abundance that we have?

Senator McGEE. I think you put it in very positive terms. Our point is not simply to be satisfied with the level that we have attained but to make sure that we reach whatever that level may ultimately be with a preservation of the best interest of the consumer——

Mrs. PETERSON. Right.

Senator McGEE (continuing). Of the individuals involved.

Mrs. PETERSON. With the lowest prices possible to the consumer.

Senator McGEE. You mention the lowest prices to the consumer. One of the charges made before this committee has been that some of the food chains, a few of them, have deliberately depressed the price of meat but have failed to pass that price savings along to the housewife.

Now suppose in depressing the price of meat to the producer they would pass that savings along to the housewife. Where does that leave us?

Mrs. PETERSON. Well, again, the meat question, as I pointed out, is an extremely complicated one. We would certainly hope any advantages in processing and packaging are passed on to the consumer. I would hope this would be the case. There are tremendous factors involved. There is the fair price to the cattlemen. There are the costs all along the line.

And here again I think this is why we need this Commission. We really need to know. Because we do hope that it will come out to the best advantage of all of them.

Senator McGEE. In other words, we are not interested even in the producer's end of this to fix an arbitrarily high price?

Mrs. PETERSON. No.

Senator McGEE. All the producer is asking, and he said this to this committee, is to let supply and demand help to regulate what he receives. He is convinced that if the chains would pass along to the housewife the savings, she would buy more meat, more beef, that this in turn would stimulate a healthy market and would thus redound likewise to the advantage of the producer.

That is all they ask. They do not ask for a sheltering device here that would protect them from competition.

Mrs. PETERSON. We cannot fix this in fixed ways, but it is to look at this to be sure that we have the free play of the marketplace in it.

Senator McGEE. The consumer has, of course, a very healthy stake in competition. How does the national scope, the national spread of the chainstore system open up the possibilities for cutting down competition to the advantage of the consumer?

Mrs. PETERSON. I would hope that that is one of the questions that the Commission would look into very thoroughly.

Senator McGEE. One of your letterwriters here raised the question——

Mrs. PETERSON. Yes.

Senator McGEE (continuing). That they can make it up in other places as they lose it in one given area.

Mrs. PETERSON. Yes; and this just emphasizes the complexity of the problem. I frankly would not want to venture into this myself this morning. I think this is the reason we are having the Commis-

sion, so we get good, intelligent, and simple answers that are easy to understand.

Senator McGEE. We had a comment from one person who said that he enjoys it whenever his local supermarket cuts something below cost. If he knows that, he rushes in and loads up on it. But he knows that somebody else in some other community is going to have to make up that cost.

Mrs. PETERSON. It is a complicated business.

Senator McGEE. They are not in business to lose money.

Mrs. PETERSON. Of course.

Senator McGEE. Therefore, he feels that probably they got even with him on some other product that he was less suspicious of or less alert to.

Mrs. PETERSON. That is right.

Senator McGEE. What about the elaborate packaging and processing and promotion? Some of the chains have said in their releases since this investigation has come out that the housewife is demanding such fancy gimmicks, that this in itself explains the increasing costs of this produce to her.

Have you any additional observations on that?

Mrs. PETERSON. Well, I would not say that the housewife is demanding this. The point is that sometimes they have no choice.

My feeling in the letters that I get is that there is a good deal of concern about the packaging. We recognize that the package is a salesman today.

I think of growing up and running down to the corner grocery store and getting a certain amount of something, whatever I might happen to need. That is gone today, practically gone. In fact, I went back to my own little hometown of Provo the other day, and my little grocery store was gone.

Senator McGEE. 140,000 of those little grocery stores—

Mrs. PETERSON. It is gone.

Senator McGEE (continuing). Have disappeared in the last few years.

Mrs. PETERSON. So you go over, and you must buy, and the package must tell you what this is. And if the housewife cannot find it easily and feels the package deceives, she is annoyed with this.

On the contrary, I would say I think a good deal we like the variety, the color. Let's not kid ourselves. It makes shopping interesting and good. But it must be honest and tell the truth and must provide the information needed to do wise buying and offer you choice and make it possible for you to know what is your best buy in this case.

The package has a tremendous responsibility, and I think it is one of the very seriously related questions in relation to this whole study.

Senator McGEE. The charge has been made in one of the other Senate committees that, as a matter of fact, prepackaging or fancy packaging enables somehow the short changing of the consumer where the individual involvement raised a moral question that prohibited it. That is, if you had a salesman that was peddling to the housewife he would not dare say that you were getting this much, whereas in a package you can fool the eyes and sometimes get by with it.

He raises that careful moral question, you see, about how best to purvey a given article.

It also raises some question about the gullibility of the housewife I suspect.

Mrs. PETERSON. Yes. But, you see, the point is this is true, and I think some of it, where they are most indignant, is in areas on slack fill, for example. And I must say this is not just in corn flakes—because we get to thinking of corn flakes as the only product.

Senator McGEE. Homer and Jethrow now you are speaking of?

Mrs. PETERSON. There are many of them in many areas where there is genuine concern.

And I think also that it is interesting to note that in some of the packaging nowadays, where we have the abundance of all these thousands and thousands of products on the shelves, there may be reason for it.

I had the occasion the other day to question the packaging on a very small item on a shelf. The packaging was four or five or six times as big as the item. I said, "Look at the cardboard we are paying for. Look at the extra cost in shipping that this involves."

And the manager who was going through the place with me said:

But, Mrs. Peterson, if you realize that all of our people today are not honest, that a little item like this on the shelf is often put in the pocket, often put in the pocketbook, and one of our big dangers is pilfering.

It raised a question to me that in this new abundance there are problems, and I think we have to understand the problems. I think all of it is not deceptive packaging. There may be some reasons.

Therefore, this study again I think can help the producer to bring to a high degree of awareness, of visibility, in our country the problems in this.

I think we are reasonably intelligent citizens today. We want to know why. But we do not want to be fooled. We want to know.

Senator McGEE. I can see the supermarket of the future where a 5-cent candy bar will be in a Post Toasties box or something to keep some child from walking out with it. He does not walk out with a big box of Tide very easily I suppose.

Mrs. PETERSON. Not so readily. The excess packaging on the candy bars is one of the—well, I should not say that. It would be fun sometime just to go into the kinds of letters, and even from the children who feel a little bit gypped on this.

Senator McGEE. Is it conceivable that in the item per item cost in the chainstore the cost of labor is a substantial factor in this?

Mrs. PETERSON. Well, I think the labor cost is, of course, one of the factors, but it is only one of them, and I think there is the labor cost all along the line. There is the labor cost of the producing of the food. There is the labor cost in the packaging. There is the labor cost in the advertising. Every element along the line has this, as it has a materials cost.

And I think one must be sure. And I think the Commission, as I read the bill, would see that this is a factor. But it is only one factor in the total cost.

Senator McGEE. Would it not be reasonable to assume then that labor costs would rise at all levels of this area of our economy?

That labor costs have likewise gone up for the producer who is receiving less and less in his percentage of the dollar?

Would it not seem fair that the labor percentage of the dollar for the retailer should likewise be going down?

Mrs. PETERSON. This again I think is one of the factors that the Commission would look into very carefully, because there is a very complicated question relative to the balance of this. I think the important thing to know is, it is one of the factors.

Senator McGEE. It certainly is a question that needs to be answered in order to clear the air.

Mrs. PETERSON. Exactly. We do not have the answer. If I had an answer, I would not be calling for a Commission.

Senator McGEE. One lady said to me that she used to be able to go into her supermarket and look over a piece of meat or even ask for one she wanted, like a 3½-pound rump roast or something, and it was inconceivable to her there could be any substantial increases in labor cost when her meat now was not only prepackaged in mass-production techniques but prepackaged 100 to 200 miles away in the center of handling and simply shipped out, and that labor costs, even though each individual laborer may be getting more money, which we hope is the case, per article handled must have been reduced very substantially.

Mrs. PETERSON. Very definitely. And we would hope, of course, that that would have been passed on. And when you think just in the supermarket of the number of personnel that would be required if you had the individual attention today that we had before, you can imagine what that item would be. So certainly it seems that it would have to be reduced. And that is why we ask that the whole economic question be looked into. And that is one of the items that the Commission would study.

Senator McGEE. The question has been raised here about the impact of foreign imports—

Mrs. PETERSON. Yes.

Senator McGEE (continuing). As it applies to meat. Now, I come back to meat again because, as you indicate, this is a very large portion of the housewife's food budget. It is likewise represented as being approximately one-third of the total weekly sales of the chainstores.

Therefore, this committee is intending to pursue this. And the President has specified in his bill that the Commission should pursue the meat question with a top priority, since it would involve an excellent index or guide to other problem areas in the marketing field. It likewise has a primary concern to the consumer at the same time.

The imports question, therefore, is related to it, since there are those who are properly concerned, producers in particular, about the impact of imports.

Has your experience in the Department and in the interest of consumers enabled you to arrive at any impressions or to raise any questions in regard to imports and their relative bearing on cost to the consumer vis-a-vis marketing?

Mrs. PETERSON. Well, this is a question that has been receiving a great deal of my concern and attention, because naturally, with

meat being such a big item in the consumer's budget, I wanted to look into this carefully.

And I find, as you know, the great complication of this. The import question is certainly one of the factors relative to the meat price situation today. But it is again only one, and one could make a very strong case for the consumer relative to one point of view and again in the other.

And here again I say that this is why I welcome this so much, because it is extremely difficult to sort this out, and we have not had all of these factors brought together in relation to the meat question.

We do know that the import question is one of the factors, but it is only one of the factors. There are many others. There is the whole matter of whether or not the economies—just referring to your previous question that you asked me—are being passed on to the consumer in the form of lower prices.

Therefore, I would say "Yes," that this is one factor. I would not right now venture an answer as to what proportion this is. And, therefore, I would be absolutely sure that one of the major items of study of this Commission would be this whole question that you raise, meat being such an important item in the budget.

Senator McGEE. You mentioned the consumer's alertness to the fact that different grades of products are sometimes difficult to detect—

Mrs. PETERSON. That is right.

Senator McGEE (continuing). And that therefore the price factor alone is not the real yardstick.

Mrs. PETERSON. Exactly.

Senator McGEE. We have had complaints filed with this committee that this is notably true in the case of meats, where some housewives tend to compare the very largest print of the savings, let's say, on a given cut of beef on a given weekend only to discover, as one of your letterwriters suggested, that when she got home it was very tough meat, and the reason it was very tough is it was a lower grade.

Mrs. PETERSON. That is correct.

Senator McGEE. This I would think would require a great deal of sophistication on the part of the consumer or the housewife in being sure that she compares the same grades.

Mrs. PETERSON. This is very important. And I am glad you raised this, because I think the consumer has a great responsibility. They also need to study the available information about grading. And I am hoping that we can step up our education, our consumer education program, in this country.

It is one of the things the President called for in his message. And we do have to know a great deal about that.

But also, going back to the housewife, and now I speak for myself, we do not want to be fooled in the quality. This is so difficult in hamburger, for example, and ground beef, the percentage of fat that is there. How does one know?

The only way you can tell really is by price, and you cannot always tell by that either.

So actually the price and the quality are two factors that have to be looked at in this very, very much together.

Senator McGEE. The food chains, of course, have the opportunity to "quickie sale" so many different kinds of articles over a wide range that this would pose complications for any supplier no matter what his field. His supplying would probably be concentrated in one area of products, beef or vegetables, whatever it may be. Therefore, he would be in an unequal bargaining position.

This is one of the problems that we are focusing on——

Mrs. PETERSON. Exactly.

Senator McGEE (continuing). To the extent it is feasible in order to maintain the advantages both ways for everybody, to protect bargaining position.

Mrs. PETERSON. Yes.

Senator McGEE. I think this achieves balance.

Now, it has been suggested to the committee that when this committee investigation was announced there was a notable flurry of hot-shot meat sales, and by suggestion it was intimated that these sudden meat sales were designed to allay the suspicions of the housewife.

It was further pointed out in two of the large urban areas of our country that the following week that same meat was restored to its original price and in some instances even was increased a little bit.

Now, you are a great champion of the American housewife. Do you believe that this is the sort of practice that might fool her?

Mrs. PETERSON. These things are possible. I would not say that they do. But you get suspicious. I get suspicious when I do my weekly marketing and find this great fluctuation.

And this is what we would like to know. It is this up and down that bothers us. One week it is this, and next week it is another. And you try to think, "Now, when is the best buy on mutton?" And nowadays when most of us have freezers we would like to stock up when the prices are low.

But it is this thing, and the people want to know is this manipulation. We do not know. But I would say yes, we are bothered by this, and we want to know, and I think that the housewife can understand. She is capable of understanding.

Senator McGEE. It may take a few more experiences to raise the level of understanding——

Mrs. PETERSON. Yes.

Senator McGEE (continuing). At least if she lets her husband do the shopping for her. I think sometimes the husbands are the most gullible of the lot.

Mrs. PETERSON. I find that, but I think shopping is now becoming more teamwork. I see this in my marketing, how many men do it and how many families are together shopping. So it is becoming a family proposition. And this is good, because if one does not catch it the other one does.

Senator McGEE. Well, except that I can testify personally that it is the husband who catches it. I am one of the more gullible ones on looking for a bargain without knowing what I am getting.

Mrs. PETERSON. You have not been doing as much of it and watching the budget I guess.

Senator McGEE. One of the saving graces for the husbands is if more of you gals are going to go into government and run other affairs it will simply shift the burden for preparing the meals.

And that is where these "gimmickry" gadgets and little readymade packages, where all you have to do is open them and they suddenly cook themselves, save the day. "I can cook now."

Mrs. PETERSON. I had the case the other day of being in a supermarket when a little child was putting something into the cart, and I heard the mother say, "Oh, Johnny, don't buy that. You have to cook that."

So nowadays we are not quite sure but I know a lot of men who are very good cooks, you know, and maybe they can catch why things are tender or tough, and this may be a good thing too.

Senator McGEE. I understand just around the corner is the real threat to the supermarket and the big chains. That is the drug-stores. One of these days we will be buying the bottles of pills they keep threatening us with to give us all our sustenance.

Mrs. PETERSON. I hope not. I don't want to take away the joy.

When you think of the abundance, and thinking of the articles that were luxuries in my childhood, and now for us to have these as common products for us, we have made a great deal of progress, and I think it is fine we have extended these items.

Senator McGEE. Is not the consumer likely to be the ultimate loser when the independent suppliers are victimized or ultimately put out of business?

Mrs. PETERSON. Well, certainly competition is terribly necessary, and again I think this is why this is one of the items to be looked at in the study, because we have to maintain a good competitive market or else the advantages are not passed on.

Of course, the food industry is competitive. It is still pretty much this, as we know, in spite of all the narrowing.

So again I welcome the Commission, because this is one of the items they must certainly make a determination on.

Senator McGEE. I would think here again it is the old question of "for whom the bell tolls."

Mrs. PETERSON. That is right.

Senator McGEE. In the short range it could even be represented as a savings to the consumer to put a lot of these supplying groups out of business or under new management; namely, under the management of a more concentrated economic group. They could claim to save overhead and duplication and all that sort of thing.

But I would think that once they are removed from the scene that the advantages of competition on the producer level would be lost, and thus the housewife would ultimately suffer.

Mrs. PETERSON. This is the fear. This is what we are afraid of. And this is what we all feel. Will these savings be passed on in the form of lower prices?

I think really competition is the cornerstone of our American economy, and I think it is terribly important in this study to look at this very, very carefully, to be sure that we do have competition. It is responsible for our economic greatness.

Senator McGEE. Now, I would like to get your views about the specifics of the proposed bipartisan Commission—

Mrs. PETERSON. Yes.

Senator McGEE (continuing). That the President has recommended to go more deeply into these questions.

Mrs. PETERSON. Yes.

Senator McGEE. Such a Commission, as he proposed it, would be made up of 15 people: 5 from the Senate, 5 from the House, and 5 public members appointed by the President.

Mrs. PETERSON. Yes.

Senator McGEE. I would assume that you would be less interested in the five from the House and five from the Senate in the sense that this is the legislative branch, but I would be interested in your views on the possible qualifications for or criteria for selecting the five public members. Would you care to address yourself to that?

Mrs. PETERSON. Yes. I think this is terribly important. It seems to me that the first thing will be to have expertise, competence, individuals who know the whole field.

I would feel, Senator, that we would not be looking for persons with special interests, but we must have public people who represent the public interest in this, as really the Senators and Congressmen will.

I would visualize it somewhat I suppose as a congressional committee where all of the special interests will be heard and where there is ample opportunity to be absolutely sure that every point of view is heard, that every interest group has the time to put their case adequately before the group.

But I think as to the competency of the public people, they should be those with a broad view I would say here of the consumer interest, because this cuts across all lines.

So let me say it is for competence and expertise in the broad area that I think we would be seeking, and I would advise the President along these lines.

Senator McGEE. Should such an expert include someone who would represent, say, the large food chains?

Mrs. PETERSON. Well, I would think not, actually, because if you have the special interests sitting on the committee, it seems to me not nearly as good as persons with good points of view and competency that see the broad thing.

If you have the food chain, then what about the advertiser? What about the packer? I mean if you begin to have special-interest groups representing the public, it seems to me it somewhat defeats the overall view.

I would say preferably that these special-interest groups would have time before the committee to be sure their case is presented with full adequacy, but I would prefer, I would think, that the public members would be representing the public interest and would have the competency to really know the field in its entirety.

Senator McGEE. Would that not lay us open then to the criticism that all you would have on the Commission would be consumers?

Mrs. PETERSON. Well, we all are consumers. You are one. I am one. Whoever would be there is one. I think the thing is if you begin to divide up into the special interests where we have only places for five, which are the areas that you pick in this?

It seems to me that we would be much safer to follow the other way. Of course, this is up to your wisdom, and it will be discussed I am sure in your own executive sessions. But it seems to me here that one wants to be absolutely sure that the procedures are set up so that these points of view are fully expressed. We are looking at it.

We are trying to see what is happening to it. And it seems to me if that person representing the chainstores comes before the whole Commission, as I am coming before you now, and presents the point of view, this is a good procedure. We have worked that out in other ways, and I think it should work here too.

Senator McGEE. The type of person then that you have in mind would be one of obvious public stature, maximum stature? Is that it?

Mrs. PETERSON. Absolutely. One recognized with expertise and competence and one whose judgment is trusted as being fair and having the overall public interest in this case.

Senator McGEE. And the public interest in your judgment, from what you have just said, would be the essential basic common denominator upon which each of the Commission members would rest?

Mrs. PETERSON. Public interest and expertise, yes. We want competence as well.

Senator McGEE. Yes. Expertise you mean in the sense of general confidence in their judgment or experience in the problem?

Mrs. PETERSON. I think they must be high-quality citizens who have been proved to have the public interest at heart. I think this is general competence in this. And, of course, I am not thinking in terms of people, but, you know, the caliber of person who is respected and who is known. There are many kinds of expertise that can be brought to this.

Senator McGEE. Someone has expressed the parallel that they would hope that it would be possible to attract in the President's appointees the caliber of personnel reflected in the current Warren Commission. Is this what you are getting at?

Mrs. PETERSON. This is what I am getting at.

Senator McGEE. Yes.

Mrs. PETERSON. Very fine, high grade citizens, of which there are many in this country, whose point of view really goes over the broad gamut of all that we are looking for.

I am positive the President will be able to find individuals of this caliber.

Senator McGEE. As a matter of fact, the very tone of the President's suggestion does call back to mind the approach to the consumer economic sphere under the old Temporary National Economic Committee, nearly a quarter of a century ago.

Mrs. PETERSON. That is right.

Senator McGEE. And a study of that magnitude I think is really what is envisaged over the long pull here.

Mrs. PETERSON. And I think the way the bill is drafted we could well expect something of that level.

Senator McGEE. I have no additional questions to raise. Do you have any other points you would care to inject? We have been engaging in colloquy.

Mrs. PETERSON. I think not. I just want to assure you that my office will be available to help in any way possible. I think this is a very constructive step ahead, and I believe if we rely on the competence of people, the competence of government, and of the public that something very good and wholesome can come from this study.

Senator McGEE. I think a comment is in order on the bipartisan allusions that the President made in his comment.

Mrs. PETERSON. He made that in his letter of transmittal—that he expects this to be bipartisan, and it must be this because it has to transcend the interests of all groups in our society. And I endorse this fully, and I am positive that this is the way it would be.

Senator McGEE. I would hope that that would be duly observed and very carefully arrived at, although I would think that the very nature of the questions itself would almost deny partisanship as such. It would simply be a basis for representation on the Commission rather than for the quest for the answers.

Mrs. PETERSON. I would say that.

Senator McGEE. I suspect consumers are in every precinct and in every party.

Mrs. PETERSON. I am sure they are.

Senator McGEE. Regardless of liberal, conservative, Republican, or Democrat. The central questions at stake here defy any kind of real partisanship.

Mrs. PETERSON. That is correct.

Senator McGEE. That has been the reflection so far among the groups that have represented an interest in pursuing this investigation. There has been very few conscious partisan expressions, in short. I think this is a healthy aspect of the question.

Mrs. PETERSON. I feel that. And I certainly have felt that in my work on this so far as adviser to the President. I have felt that this is an interest and a concern that reaches deeply into both political parties.

Senator McGEE. I would like to say that in this morning's session we have deliberately, by choice, had you as our only scheduled witness for the reason that, given the 10 o'clock resumption of activities by the Senate, we did not want to be crowded by the time factor there.

The Secretary of Agriculture, Mr. Orville Freeman, is scheduled on Thursday of this week, and we hope to rely on him, as we have done on you this morning for guidelines and opinions and judgments that will help this committee prepare its ultimate recommendations on the President's proposal.

For that reason, we have sought to reserve whatever time is available for discussing this with you.

You have been very generous with the committee. You have been very straightforward in the comments which you have supplied, and your materials that you have submitted to us this morning have been constructive and most helpful. They give us even greater incentive to try to ask the right questions and not be afraid of the right answers.

Mrs. PETERSON. Thank you, Senator.

Senator McGEE. Thank you very much, Mrs. Peterson.

The chairman of the full committee, Senator Warren Magnuson, of Washington, has expressed an interest in expanding and holding hearings on the effects of food chain buying in the fruit and vegetable industries particularly in the Far West at some subsequent time, and I thought that ought to be made clear—

Mrs. PETERSON. Very interesting.

Senator McGEE. As part of the public record at this particular moment.

But our intention still is to pursue the meat phases of this clear through.

I have often used a parallel in medical terms of carbon 13, which, as I understand it, is a substance that can be injected into the body and can be traced through the body, and thus one can determine all of its ramifications and the functions in the various parts of the body, and it enables an intelligent analysis.

I would suggest the meat business, being both the largest single segment of the food store operations and the factor of greatest concern to the housewife is, in fact, our carbon 13 for an examination of the economics and the marketing practices of the food chains.

For that reason we hope to follow it clear through to wherever it may lead us before our shift to other areas in the food chain business.

With that, we will recess the committee's deliberations until Thursday morning at 8:30. That 8:30 time may be amended depending upon what our good majority leader in the Senate is determining by that time is the opening hour of the Senate sessions here. We may be in earlier than 8:30. But it will be in proportion to the hour at which the Senate convenes.

With that, the committee is in recess.

(Whereupon, at 9:34 a.m., the committee recessed, to reconvene on Thursday, April 16, 1964.)

STUDY OF FOOD MARKETING

THURSDAY, APRIL 16, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met, pursuant to recess, at 8:43 a.m., in room 5110, New Senate Office Building, the Honorable Gale W. McGee presiding.

Senator McGEE. The committee session will come to order.

It is with great pleasure that we welcome as our witness this morning Mr. Orville Freeman, the distinguished Secretary of Agriculture of the United States.

The observation has been made that only farmers would get up this early in the morning to carry on the business at hand.

In large measure the legislation now before this committee bears the mark of the leadership of Mr. Freeman as the Secretary and the impact of the efforts that he has made to try to achieve some better understanding and some better interrelationship of the many forces that affect farm prices and consumer interests.

The Secretary has long been in the vanguard of those seeking understanding of these complex economic questions.

On March 24, Secretary Freeman transmitted to President Johnson the proposal incorporated in my resolution, Senate Joint Resolution 71, as amended, which is now before us as the pending business.

Mr. Secretary, we are happy that you are here with us, and any way in which you care to proceed is in order.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY GEORGE L. MEHREN, ASSISTANT SECRETARY

Secretary FREEMAN. Thank you very much, Mr. Chairman.

If I may, I have a very brief statement that I would like to put into the record, and then, of course, I would be privileged to respond to any inquiries that you may see fit to direct to the best of my ability, fortified by my very able Assistant Secretary for Marketing and Consumer Affairs, Dr. George Mehren, who is associated with me and on whom I rely in this area in which he has had extensive background and experience.

Mr. Chairman, I have found it difficult, more difficult than usual, to prepare testimony on this resolution for a very simple reason. Usually when I appear before the Congress it is to testify in support of legislation that will then call for specific action by the Department of Agriculture or possibly some other department or agency.

In this case, however, I am here to ask your help in providing the means to explore an area of national life where really surprisingly little is known, or at least certainly the significance of many, many facts needs to be interpreted.

Permit me to explain what I mean by this rather unusual introduction.

Since I became Secretary of Agriculture, when I was Governor of Minnesota and before that, a question had been posed to me time and time again, one for which I cannot yet find a satisfactory answer, and it is this:

"Why," farmers ask me, "is it harder to earn a decent income as our efficiency increases? Why is it that the farmer gets less of the consumer's food dollar today than he got 10 years ago?"

In the postwar period, productivity per man-hour in farming has increased at an annual rate of 5.6 percent—twice the growth rate of output per man-hour in other segments of our economy. We hear many things, Mr. Chairman, about the wonders of automation and the incredible accomplishments of American industry in productivity. I would be the last to minimize them. But I would point out that the output per man-hour in agriculture is double that of industry, and, as a result, we have been able to produce more food and fiber on fewer and fewer acres with less and less labor each year.

It has meant that we have been able to experiment with techniques to eliminate the threat of hunger and famine not only in this country but all over the entire world, and I think we can say with real pride as Americans that famine, at least as it used to be known, has been banished from the face of the earth by American agriculture, because wherever there is famine or pestilence or destruction, American food is there—and usually within hours.

Now, this phenomenal generator of abundance has meant that the average family today pays less than 19 percent of its spendable income for food. In relation to family income levels, food today is a greater bargain than ever before. Compared to what families in other lands pay for food, the American consumer has more money to spend on other items than do consumers in any other nation.

Now, these examples are the positive face of the coin of abundance that we enjoy. The reverse side is not so bright. For the farmer, his share of the food dollar spent by the consumer has declined steadily. In 1950, he received 47 cents out of that dollar. Today he receives 37 cents. In comparison to incomes earned by those who only enjoy the abundance of agriculture, the income of the farmer who produces it is only 60 percent as good.

For the past 10 years, an era of relative peace and growing prosperity, we have attempted to deal with the problem of agriculture mainly through commodity programs. Frankly, this has been a decade of experimentation, a decade where we, as a people, have sought to adjust to the growing productivity of the land so that the human and social costs of that adjustment would not be greater than the Nation could afford to pay.

By the early 1960's we had begun to recognize that commodity programs are primarily instruments to deal with the immediate problems of overproduction in any particular commodity. We began to recognize—as was the case in President Kennedy's food and agriculture program for the 1960's—that additional instruments of public policy

would be needed for the human and social problems of abundance in rural America.

President Johnson has recognized this need to broaden the base of farm policies. He has proposed community programs to diversify the economy of rural America—to provide alternative job and income opportunities for the young people now growing up there and who wish to make it their home but will not find an adequate return from farming as such in those communities.

His call for a war on poverty also is a bold measure of great value to the rural community—for half of those who live in poverty today reside in rural America.

As a result of the decade of experiment, we have recognized that in addition to commodity programs and community programs, agriculture policy must provide for food programs. Surpluses are as much a lack of adequate outlets as an overabundance of production. Programs such as food stamps enable us to expand domestic markets. Programs of trade and aid enable us to expand commercial markets abroad while at the same time we assist developing nations along the road to commercial stability.

The administration's program for rural America is a coherent food and agriculture policy which demonstrates that "farm" policy is vital to all citizens, both city and rural. A strong rural economy provides markets for much that is produced in urban areas—and strong markets mean more jobs for city wage earners. A strong, viable family farm system of agriculture is the best possible guarantee that our food abundance will not become an isolated historical incident but will always be a way of life.

Now, Mr. Chairman, I have emphasized the farm aspect of the market system at length for a very special purpose. While a better understanding of it helps explain some of the income problems of the farmer, it does not fully answer the question I posed at the beginning of my remarks.

The reason, I believe, is that we not only are dealing with a revolution in the production of food but also we are dealing with a revolution in the marketing of food. There are two revolutionary forces affecting the level of farm income, as well as all aspects of the Nation's welfare, and a complete answer to the questions which we must ask will not be found until we better understand the implication of the revolution in the marketing of food. Even a cursory glance tells us that any inquiry will need to penetrate deeply and broadly if answers are to be found.

All of us can remember when the retailing of food was done by hundreds of thousands of small stores, none of which was large enough to exert any measurable influence. Today more than two-thirds of all retail sales of food are handled by 10 percent of the stores. Over 90 percent of the retail volume of food is handled by firms which own some of their own procurement and processing operations, or who have large central purchasing operations.

The marketing system with which most of us are familiar is characterized by a high degree of competition. Transactions are conducted in the open, and all can see what is happening. This is the system we at least believe we have.

But is it?

The distinction between the retailer and wholesaler is becoming less obvious and in many cases indistinguishable. There is some evidence that terminal markets for the livestock producer are being paralleled by other forms. Processors, such as canners and meatpackers, complain today that they are being forced to assume inventory risks which 10 years ago were shared by the retailer. And the leaders of the canning industry have publicly stated that market practices today place "almost the entire risk of capital with * * * the canner."

No satisfactory answer can be found to explain the sharp increase in the spread between what farmers get for what they sell and what the consumer pays to carry the food out of the store. Two particularly dramatic examples of this can be found in the case of bread and beef.

Since the period 1947-49, the retail price of bread has increased from about 12 cents to about 22 cents, yet the farmer's share of the cost of the loaf of bread has declined slightly. The marketing spread has increased about 80 percent. A recent study of the baking industry identified part of the increase in cost as inefficient use of resources—a cost which the study estimates at about 6 cents a loaf.

There is no such comparable study for beef, but there is evidence that the sharp increase in the farm-retail spread for beef is largely due to the retailer. Higher operating costs could account for some of the spread. A lag in efficiency gains could also be a possible reason. However, the farm-retail spread for pork is much smaller than for beef, and this may be evidence of possible changes in pricing practices not related to changes in cost.

I am not here today to point fingers. I am here, Mr. Chairman, to ask questions—and to ask your help in finding some of the answers which are needed by the farmer, by the processor, by the wholesaler, by the retailer, and by the consumer.

We need answers to such questions as:

1. What changes actually have occurred in the size, concentration, and business relationships of food marketing firms?
2. What will the food industry be like in the future if present trends continue?
3. Will this food industry structure be consistent with the national long-run interest?
4. If not, what kind of food marketing system do we want?

Many agencies of Government are concerned with the questions posed by this inquiry. Agriculture, the Federal Trade Commission, Justice, Commerce, Interior, Health, Education, and Welfare, as well as the State departments of health and agriculture and committees of the Congress have responsibilities relating to food marketing. The work of the Commission encompasses the interests of all these agencies and transcends the interest of any one.

It is essential that the inquiry be carried out by an independent fact-finding agency unencumbered by regulatory or other program responsibilities. The success of the study depends upon complete objectivity and lack of identification with any special interest, either industry, Government or others. An independent bipartisan Commission composed of public and private members of outstanding stature, with a competent professional staff, is the single promising means of reaching the goals of this inquiry.

The Department of Agriculture's interest in the proposed Commission is manifold. Many of our programs are directly related to marketing and must be attuned to the needs of a changing food industry. These include marketing services such as standardization, classing, grading, inspection, and collection and dissemination of market news. They include marketing research and education. They include regulatory programs which are designed to insure fair trading and the maintenance of a competitive marketing system.

Many additional activities outside the marketing field are intimately affected by changes in the marketing system. For example, our production and stabilization programs must take into account the availability of market outlets. Likewise, our conservation, credit, rural area development programs and countless others. The very survival of the family farm, which has been the backbone of U.S. agriculture since earliest days, is involved in changes currently taking place in the food industry. So our interests run broad and deep.

We know also that many other public agencies and private individuals and groups have been searching for answers to the basic questions which I have outlined. A Commission of the type proposed can provide answers which will be useful and available to all.

The Commission will be empowered to obtain whatever information it needs wherever it may exist. The proposed legislation provides for formal and informal procedures, hearings, subpoena power, and access to public and private records. Information available from all Government agencies would be available to the Commission, and the Commission would make maximum use of work already done by other agencies.

The Commission will not interfere with the authorized activities of any existing agency. For example, we in the Department of Agriculture have investigations underway in the enforcement of our Packers and Stockyards Act, which are directly related to the work of the Commission. We intend to continue these investigations and enforcement actions in carrying out our legal mandate. We also expect to continue our programs of marketing economic research. To the extent that these can be coordinated with the work of the Commission, however, we will make every effort to do so, and I am sure other agencies of Government will do the same.

Within this framework, the National Commission on Food Marketing will be of service to all, will draw strength from many, and will hamper the work of none.

The job of the Commission is a large and a vital one. While we are not concerned here directly with the farm and food problems of surpluses, supports and controls, the answers we seek bear importantly on these issues. Neither is the job the classical problem of containing fraud, deceit, collusion or similar abuses. It is not a matter of enforcement of present laws alone or of adequacy of present services alone. At issue here is a pattern of drastic change in a vitally important industry—as yet not fully described or analyzed. And the rapidity of change underlines the need for prompt action to obtain answers to the crucial questions of the day.

This is the most significant inquiry to be proposed since the late Senator Joseph C. O'Mahoney launched the historic Temporary National Economic Committee (TNEC) in the late 1930's. And you, Mr. Chairman, as one of his distinguished associates at a later time, are thoroughly familiar with that monumental work.

I would hope that the results of this inquiry would be of as lasting importance as are the results of that study of the concentration of economic power in the production and marketing of all goods and services.

The questions raised by changes in the marketing system for food are difficult and, in the long run, critically important. Raising them may well provoke controversy. Yet they must be raised and they must be answered. The food industry that so closely touches the lives of all Americans is at stake—and so is the basic question of the kind of economy in which we want to live.

Mr. Chairman, I would like to urge the approval by the Congress of Senate Joint Resolution 71 as amended and pledge the cooperation of the Department of Agriculture in helping the National Commission on Food Marketing carry out its most important assignment.

Thank you, Mr. Chairman.

Senator McGEE. Thank you, Mr. Secretary.

I have a number of questions I want to raise. First I would like to mention again for the record that the real basis for this study stems from the consequences of this economic phenomenon, the emergence of larger and larger chains. To my knowledge, no one has objected to the chains because of size. But we do think it is important that we study size to determine its ramification and effects.

Sometimes the accumulation of economic power permits an abuse of that power that is contrary to the public interest.

With more than \$70 billion a year now going through the chains, as some have suggested to this committee, this is a major segment of the annual budget of the American people.

Furthermore, with 140,000 neighborhood grocery stores having gone out of business, this too is a fact of measurable concern in many areas.

The fact that the terminal market operator, the cattle feeder, or the feeders of other livestock in this country may be on the brink of extermination at the present time because of some new process of marketing is a matter of sobering concern.

Whether there are powerful combinations of buying power that depress livestock prices or depress fruit prices or depress vegetable prices or dairy prices or whatever it may be are questions that have already been raised by others who have testified here.

The implications of this are so broad and the possible consequences so serious that it seems imperative that with a minimum of delay we search for, insofar, as we are capable of doing so, the answers to the questions that these developments raise.

I had occasion not very long ago to spend a delightful evening with the spokesmen for many of the food chains in this country, and it was a rewarding evening, at least to me, since I heard some of the other elements and factors in this question. But I came away with the feeling that sometimes we talk to each other so much that we occasionally run the risk of missing the real point of the anxiety and the uncertainty and the apprehension that runs very deeply around the country.

I can say on behalf of the committee that since these hearings were announced it would be difficult to single out any segment of our economy or any group within our society that has not addressed itself to its own apprehensions in regard to the consequences of the new marketing coalitions that have brought advantages without question

but that may pose some questions in terms of the economic rights or the well-being of others.

There are questions that are not going to quietly go away, and, therefore, because of the issues that have been raised and the sense of public criticism that has come to the surface, which apparently had been stirring beneath the surface for a long time, I would recommend that there is only one constructive way out; namely, to bring all of the facts, not just some of them but all of the facts, in front of us at the same time. What facts and what you do with those facts is a tough one.

I also discovered the other evening in this very interesting session with the food chains that they disagreed with each other about which facts were pertinent to what.

It again illustrates the importance of our trying to bring all of these forces into the same arena at the same time so we are talking the same language at the same time about the same problem.

The difficulty in running off in several directions simultaneously has probably contributed to more confusion than to solutions of these questions or to the removal of the anxieties that have been expressed at many levels.

Therefore, your statement this morning has pointed up the sense of urgency that should attend the efforts of the President's Commission as it addresses itself to the problems in the hope that it will arrive at the right answers to the right questions.

I do have a series of questions that I would like to raise with you. The committee would benefit from your opinion and your judgment in regard to them.

In this portrait of the relative economic disadvantage among the farmers, producers of food in our country, we have made some special mention of the livestock producers, among others. What would be your view as to the Commission's giving priority in terms of calendar time to the alarming situation that is facing our livestock industry today?

Secretary FREEMAN. Well, I think this would have very, very high priority as one of the examples to call for careful and searching inquiry.

I know, Senator, how deeply concerned you are, because you have directed to the Department frequent inquiries in connection with this and have urged various actions that we have taken, such as an accelerated merchandising program that is underway in cooperation with the National Livestock and Meat Board promoting the sale of beef and calling the attention of the housewives around the Nation to the fact that this is today a very good buy; the purchase program that we have launched in the Department, and in the Government generally, and the efforts to work with other countries in order to bring down imports while we work off some of the tremendous surge of production and marketing that we have had in our own meat industry.

Senator MCGEE. The role of meat and the share of meat in the total economy of the food marketing business is probably as large or larger than the share of the housewife's budget that is devoted to the purchase of meat. I am told that about a third of the business in the

marketing of food is centered on meat. What percentage it is of the housewife's budget I think we need a little more information on.

But it would suggest that this very substantial portion of the total problem would certainly warrant the selection of meats as the focus of initial study in order to learn what we can about marketing practices and the consequences of those practices.

Secretary FREEMAN. One interesting phenomenon here, Senator, is that in agriculture generally one of our big problems is what the economists call inelasticity of demand.

In my colloquial way, I usually describe that as being that the stomach will stretch only so much. If you can afford it you can buy 10 automobiles, but if you eat 10 meals a day you are not long for this world.

Now, we have had an astounding expansion of the demand and elasticity in beef. As we have had generally good times and rising standard of living, an increasing amount has gone into the purchase of beef, and particularly of high-grade beef. People want T-bone steaks and roasts and the rest of it.

As a result, there has been over quite a period of continual expansion of demand. In the last 10 years we have climbed a per capita consumption of 75 pounds to 97 pounds of beef per person.

Now, this increasing demand resulted in increased production, and the prices held up quite well for an extended period of time.

The economists advised me that the cycle was continuing as it previously had over the years—that prices would build up and then they would drop and adjust. They held for longer than they had ever held before in the history of this country.

Then between 1962 and 1963 the amount of red meat that went on the market produced in this country increased almost 2 billion pounds. In other words, the increase per capita went up to about 7 pounds a person. Well, the elasticity of demand, the growth of demand had been about 2 pounds a person annually, but when we got up to 7 pounds a person, this is when we suffered last year the sharp price break.

Therefore, these very facts, I think, and what implications now in connection with the whole marketing business they have, in addition to the production business, are of very great importance.

For example, there has been certainly a very definite lag, in my judgment too long a lag, between the drop of the price that the cattlemen got and the cost to the consumer. Now, why is that lag as slow as it is? This I think is a question that needs to be very, very carefully probed.

We do know that when it goes the other way, when the price goes up to the farmer, not only for cattle, but for other things as well—the response at the retail level is quicker. And why and how this occurs in this very complex marketing picture are questions to which there are no clear and affirmative and decisive answers, but ones on which I am sure such a Commission could give us information of great value so we could make judgments on courses of action that might be taken.

Senator MCGEE. Is it your intimation that, with the price to the consumer not reflecting the price to the producer when it drops as quickly as it does when the price rises, perhaps the arbitrary decision of those who establish pricing has interfered with what some would call the laws of supply and demand as they relate to pricing?

Secretary FREEMAN. Well, Mr. Chairman, as I said, I did not come here to give answers, because we really do not have the answers—or to particularly point the finger at anyone. This Commission needs to search out the reasons.

But I pose the question sharply, that there is some reason and some influence, purposeful, or otherwise, which causes a difference in the response of the retail price when the price to the farmer goes up than when the price to the farmer goes down.

As it now stands, it is kind of like the old saying, "Heads I win, and tails you lose."

You can be sure if the price to the farmer goes down it is going to reflect itself in the market rather slowly to the consumer. You can be sure if the price to the farmer goes up that you are going to have almost a chain reaction.

Senator MCGEE. You did not not mean that as a pun, did you? "Chain" reaction? [Laughter.]

Since you have raised this question here in response to my first inquiry about the beef imports problem, I would like to establish its relationship to that problem which this committee is exploring—marketing practices.

It has been said by a very few that to study the marketing practices of our food industry is simply to get off the real subject of the beef imports question, that it is designed to create a smokescreen and to cover up the seriousness of our import problem. Would you care to address yourself to that observation?

Secretary FREEMAN. Yes, I would, Senator, I would not minimize for a moment the importance of the beef import question, and I have given a great deal of time and attention to it, and we have worked very, very hard in connection with it.

Its gravity is reflected as much, however, in terms of its long-range implications.

First of all, I think that most careful and thorough studies, those within the Government and those within the industry, would support the conclusion that about 50 cents of the \$3.70 drop in fed cattle prices has been occasioned by imports. The balance has been occasioned by our own enormously increased domestic production.

However, the gravity of the import question is beyond this particular instance and interpretation and runs to the long-term question of world beef markets.

We find ourselves as virtually the only open and free market for beef in the world. This is not a situation that is tolerable, and we must protect our producers in relation to it. And we are moving in the negotiations around the world, in the GATT negotiations, in our negotiations and agreements with other exporting nations, in our relations and discussions with the Common Market, with this in mind.

We certainly are deeply concerned and are going to protect the American beef producer, and we are very, very much involved in that.

I would say, however, that in the instant case that the major part of the current price drop is occasioned not by imports but by our own overproduction. Because our imports have been almost exclusively in cow meat or manufacturing meat. And that fact is that the cow meat or manufacturing meat prices have held relatively constant.

Another interesting fact is, which was well pointed out by Dr. DeGraff from the Meat Institute speaking from the industry side of this,

that the amount of increase of imports since 1955 is almost to the pound balanced by the decrease in our own domestic marketings of cow meat.

While we have seen a climb of imports of cow meat mainly of about 1.6 billion pounds, at the same time we have seen a drop of our own domestic marketings of almost the identical amount.

And so as the demand strengthened, as prices firmed, as beef was one place where the producer could make a reasonable return, we held back more cows. We built up our own herds. We did not market them. And when we dropped off in our own marketings, imports came in to fill that gap.

Today, actually, the per capita consumption of so-called low-grade beef, the manufactured amount, is less per capital than it was in 1955.

Therefore, when we analyze this, I think we have to identify what we are talking about.

Our price drop has come in fed steers. Our imports have come in cow meat. There is, of course, a relation. But the primary cause is our own increased production of fed steers and of those other meat items that compete, mainly pork and also poultry.

So that in 1963 we had the greatest production in beef and in poultry and the greatest production save 1 year in pork in the history of this Nation and produced almost 2 billion pounds more in 1 year than ever before in the history of the Nation, which meant a jump in the amount of production which was greater than even the relatively elastic demand for beef could contain.

So, finally, the price cycle in beef did turn down, and we suffered the price drop that we were all so deeply concerned about in trying to rectify last year.

Senator McGEE. Well, the answer to this next query would be obvious from what you suggest, and that is if we were to arrive at the ideal solution to the imports question, ideal from the growers' point of view, the suppliers' point of view, would that then resolve the plight of the cattlemen or those interested in the marketing of beef all along the line?

Secretary FREEMAN. Well, I would take the assumption, Senator, of the "ideal" as being an import base of, let's say, the last 5 years, which has been a figure generally used. And I would say based on that that this would not correct the problem which we face of trying to again accomplish a workable and reasonable balance between supply and demand.

This is agriculture's great problem—facing the challenge and the opportunity and the blessing but also the perplexing problem of overabundance.

We have got to recognize that in this land we are fortunate enough that we can produce more food and fiber than we can use or give away. That being the case, we have got to do something to balance supply and demand, or under obvious economic laws we are going to have price breaks in the marketplace that will affect our entire national economy as well as affect the producer.

In this instance this has not exerted itself as quickly as in some other things, because there has been more elasticity of demand in beef. But the same problem is there, and, very frankly, we are not going to face that problem by running away from it and concentrating our

exclusive attention on imports when this is only a part of the problem and certainly by no means the entire problem.

Senator McGEE. Well, your figures, for example, would dramatically illustrate that. You speak of the \$3.70 drop, of which approximately 50 cents was represented as the imports factor. It would suggest that somewhere lies \$3.20 unexplained by imports.

Or, as other testimony already submitted to this committee suggests, out in the western stockyard between December of 1962 and March of 1963 there was a \$7 per hundredweight drop in the price of cattle, and of that drop \$1.67, I think the figure was quoted, represented imports, whereas the other \$5.33 represented something else.

These two sets of figures in themselves ought to remind us that the import problem does not hold the whole answer. It is but one of the factors.

It has been repeated in here many times that there are several elements at stake here, not only the imports question but also the question of overproduction which you have just addressed yourself to.

When prices go up, some groups that have money go into the cattle business and thus contribute to overproduction. Some of the more glamorous elements in our society are very substantially involved in the cattle business. Likewise, some go into it to lose money in order to make it. That is, there are tax devices in this business which I think require tightening up to provide less incentive for those speculating on making money by losing it, whatever economics that involves. That is a factor.

Secretary FREEMAN. May I join with you in this. I do not want to cast aspersions on anyone, but certainly tax laws which permit writeoffs to people who earn handsomely in other pursuits and then follow as an avocation, in effect as an entertainment, the production of beef and cattle, which they happily write off as a tax loss and in the process add to the problem of those who make their living in this way, is a highly inequitable situation and one to which I hope the Congress will address its attention.

Senator McGEE. And it is my further understanding that some of those same groups, particularly some groups that are clustered around one very tiny portion along our west coast, own substantial cattle interests in Australia and New Zealand, and this is another side of our import problem.

Secretary FREEMAN. That is right.

Senator McGEE. And great pressures are brought to bear on that.

Now, in your suggestion that imports were only a segment of this, if I understood you correctly, you made the suggestion that overproduction was the rest of it. Now, does that mean, then, that in your judgment the marketplace, the marketing practices, is not a factor that may account for some of the depressing of livestock prices?

Secretary FREEMAN. I think what goes on in the market in this connection is one of the things we need to know a great deal more about and that the very study which is projected here will focus attention upon this process and how the market can be more responsive and bring about the needed adjustments.

I would emphasize, so that I might not possibly be misunderstood, that I am not suggesting any kind of supply management programs involving Government where the cattle industry is concerned. There

has been a constant tendency to misinterpret some of the Secretary of Agriculture's remarks in this area.

I do think that the cattle industry, which is conscious of this and which is composed of intelligent and active and aggressive individuals, can work out and has made progress in working out adjustments to market conditions and making them more quickly.

We are happy to serve as a kind of catalyst and information source.

Senator McGEE. That is another good pun—serve as a “catalyst.” [Laughter.]

Secretary FREEMAN. It is early in the morning and I am doing better than usual. I am surprised. [Laughter.]

But, seriously, marketing information and such things as our plentiful food programs and other things can be done in cooperation with the industry itself so that there can be smoothed out the peaks and valleys of this cycle which have caused in the past a great hardship and which we ought to minimize in every way that we possibly can.

Senator McGEE. The fear has been expressed that the work of the Commission would interfere with or inhibit the activities of the regulatory agencies and enforcement arms of the Government as well as some of the study and research areas within the Marketing Service in your Department. Do you share this apprehension?

Secretary FREEMAN. Not at all. It would have no effect upon our legal responsibilities in such things as unfair trade practices and monopoly and that kind of thing.

For example, in the Packers and Stockyards Act, as the Senator is well aware, there are a number of actions underway—investigations, some questions of jurisdiction being litigated, some unfair trade practices that have been prohibited. Some are in the process of administrative hearing. Some are before the courts. And we would proceed to carry forward our legal responsibilities as vigorously as we have in the past—and we hope increasingly more effectively.

And while this study goes forward it would not affect our enforcement responsibilities or actions at all.

Senator McGEE. There would be no tendency then to hold back in order to see which way the Commission was going or which way the wind was blowing?

Secretary FREEMAN. No, sir.

Senator McGEE. The mention of the Packers and Stockyards Act, of course, serves as a galvanizing point or parallel of another sort in our marketing history. It was enacted, as I understand it, because of the examination of practices in the marketing operation that had been indulged in by packers and stockyard groups at that time that likewise tended to depress the retail market since packers were going into the retail business—vertical integration, if you will.

Now, the same charge has been raised against some of the chains. Is it conceivable in your judgment that the same kinds of questions, the same kinds of problems that once characterized the operations of the packers might now characterize the marketing practices of the chains?

Secretary FREEMAN. This is very possible. It is one thing that we are seeking always to review and keep alert to, in connection with and we stand ready to move vigorously if there are any violations of law.

But, as the Senator has already said, we are concerned here with the

implication of some of these things that may not be illegal now and their longrun effect may be on our total national economy.

Senator MCGEE. In order to single out specifically, for purposes of emphasis, I ask the next question that has been raised with the committee. I think that you have already made it very clear in your substantive statement here this morning. I would like to have it at this point in the record in sharp outline.

Why not just let the existing agencies in the Government go at this question? Why all the commotion about a Presidential Commission?

Secretary FREEMAN. Well, basically because if such an investigation is to accomplish its purpose, which is a balanced and overall fact-gathering and interpretative process in terms of the total national interest, we would hope to have the complete cooperation of all segments of the marketing complex.

Now, the packers and stockyards program is an enforcement activity. We, of course, seek to be fair and judicious, but we also are vigorously enforcing and carrying out the law. And controversies naturally arise in that process.

We have litigation going on right now. The same is true in other agencies of the Federal Government that are concerned.

There is the question of the availability of records, of frankness, of complete information, disclosures—a complete “on top of the table” disclosure, without any fear of facts being used in terms of a litigation that might be underway that would have immediate economic consequences, or that might affect one segment of the market as opposed to another or one competitor as opposed to another.

For all of these reasons I think this kind of a study, to serve its purpose needs to be carried out by an agency without other program responsibilities, which can approach the job in terms of the total national interest fairly, impartially, and without any preconceptions.

Senator MCGEE. On page 6 of your testimony you referred to the importance of not having special interest groups participating on the Commission itself, and you speak of such special interests as either industry, Government, or others.

Do I take that to mean that you regard Government as a special interest in such a role? How do you mean “Government”?

Secretary FREEMAN. I think probably the words “special interest” were not very well chosen in this case. Let me put it this way. The Government carrying forward the mandates of Congress and enforcing certain laws is seeking to accumulate information and data which may be before the courts at a given time and place. To that extent, in that litigation certainly the interests of one segment as opposed to the Government stand contradictory one to the other.

And human beings being what they are, once an enforcement action has been carried forward, regardless of how carefully and fairly the facts have been gathered, two points of view collide, whether before an administrative agency or the courts.

In that sense the responsible Government agency has an interest in seeing to it that the final judgment will be one which carries forward the law and supports the action which has been instituted. And I meant it from that standpoint.

Senator MCGEE. In other words, you were simply implementing the point that you made elsewhere that no one special segment of, let's

say, an enforcement agency, whether it be Antitrust or the Marketing Service or the Federal Trade Commission, should have the sole responsibility of seeking out all of these facts?

Secretary FREEMAN. That is correct. And I do not think we could get them. By the nature of the process there would not be the same kind of cooperation that I believe can be elicited by a Commission whose approach is solely to obtain and evaluate facts, unrelated to any particular case, any particular alleged abuse, or any particular law enforcement.

Senator MCGEE. The President's Commission would include, as proposed, five House Members, five Senators, as well as five public appointees. The Members of the House and the Senate could be conceived as Government in this role. It depends upon the use of the word "Government." That is the reason I thought it was important that you define your use of the word "Government" in the context.

Secretary FREEMAN. I see. By "Government" I meant, I repeat, that those in the Government who are charged by the Congress with enforcement responsibilities ought not to be members of the Commission and intimately involved in this process.

Senator MCGEE. Would you share with the committee your thoughts on the criteria that should be applied in the selection of the public members of the Commission?

Secretary FREEMAN. Well, first, people of acknowledged reputation, public confidence, integrity, capacity, and ability, which is obviously No. 1.

Senator MCGEE. That is five different people. [Laughter.]

Secretary FREEMAN. We would hope we would find someone who would command all of those attributes. Certainly no one who has any conceivable ax to grind, as it were.

Senator MCGEE. In other words, as you see it, you would then rule out as a spokesman among the public members, a representative from the food industry, a representative from the packing industry, a representative from the feeders? Is that what you are getting at?

Secretary FREEMAN. Yes. I think the public members ought not to be selected on the basis of representing different segments of the food industry but, rather as representing the general public with no special interest of any kind which could result in any questioning or any doubt as to the complete impartiality of the members of the Commission.

Senator MCGEE. This question has also been raised with me: What would be the procedure in the selection of the public members? Would these members be, or ought they to be, subject to the approval of the Congress, as some of our appointive positions are? Should this be reserved to the Executive as its prerogative? Do you care to express yourself on that?

Secretary FREEMAN. I have not thought a great deal about this, Senator. I do not know that it is a particularly vital point. It would be my judgment that in this instance the appointments would be made by the President. There would be selectees from both the House and the Senate. And as such the process of confirmation probably would not be called for.

I have not discussed or thought a great deal about it. I do not have any great objection to the matter of confirmation, but I think it prob-

ably would give a more balanced Commission if the method of selection which has been outlined were followed.

Senator McGEE. Would it be a fair parallel to suggest that what you would favor, as far as the public members are concerned, a Commission not unlike the Warren Commission—

Secretary FREEMAN. Something like that.

Senator McGEE (continuing). That exists now?

Secretary FREEMAN. Yes.

Senator McGEE. When you speak of people of great stature and acceptable status—

Secretary FREEMAN. That is correct.

Senator McGEE (continuing). This would be a good analogy?

Secretary FREEMAN. I think that is a very good analogy and example.

Senator McGEE. Senator Hart, would you care to raise any questions with the Secretary at this time?

Senator HART. No. I apologize to the Secretary and the chairman for arriving late.

I gather, Mr. Secretary, that you would not suggest that the Federal Trade Commission, for example, suspend its enforcement activities—

Secretary FREEMAN. No, sir.

Senator HART (continuing). During the activity of the proposed Commission?

Secretary FREEMAN. No. No more, Senator, than we in the Department of Agriculture would propose to suspend our activities, investigations, and enforcement in the Packers and Stockyards Division.

Senator HART. Now, on page 5 you refer to the particular problem in the case of bread and beef, the apparent particular problem.

The staff of the Antitrust Subcommittee of Judiciary has assembled some figures which indicate that milk marketing represents a real problem area, too. Would you agree with that?

Secretary FREEMAN. I have not observed or noted any comments on milk marketing in connection with antitrust implications, but I would certainly agree it is a problem.

Senator HART. This problem of merger affects all segments of our economy, but would you agree that it seems to affect the dairy industry in an especially strong measure?

Perhaps that is not a fair question. I am asking it from a background of some statistics that the Antitrust Subcommittee has.

Secretary FREEMAN. In other words, do the mergers that have been taking place in the private sector of the milk and dairy processing industries indicate a concentration of economic power that has possible antitrust implications?

Senator HART. That is exactly it.

Secretary FREEMAN. I honestly, Senator, would not feel prepared this morning to comment on that. Dr. Mehren, our Assistant Secretary in Marketing, is here and might have some comments in connection with it.

Dr. MEHREN. I could not really comment on the antitrust end of it, Senator. It is a fact that there has been a considerable amount of captive operation, integrated retailing, wholesaling, and processing in the dairy end of the food business. This I know is quite true.

Senator HART. To the extent that it may assist the record, I would insert some figures that the Chief Economist of the Federal Trade Commission developed in a paper that he released in May of 1963. This is by Willard F. Mueller.

He comments that ever since the 1920's large dairy concerns have grown largely by merging and adds that during the three decades, 1920-50 the 8 largest dairies acquired over 1,600 dairy concerns and that in 1951-55 1 dairy acquired 52 dairies, a firm with combined annual sales of about \$350 million.

I inject this into the record in the belief that as this Commission undertakes its study it should have very clearly in mind the problem of the milk and dairy industry.

Secretary FREEMAN. I would certainly concur.

Senator McGEE. If the Senator would yield at that point, I would mention here for the record that since these hearings have been underway the numbers of groups that have come in, including the dairy group, to represent their anxiety in these marketing practices have been very considerable. They have all asked for an opportunity to testify before this committee.

My feeling has been that we probably should not run at random into all of these areas at once, that all these commodities would be the proper area for study and for investigation by this National Commission once it is created.

The poultry people have been in to talk at great length on this, particularly on marketing practices. The truck farm groups from the east coast and the west coast have asked to have a day in court. Some of the fruit growers in the northwest part of the country have made this request to one of the members of this committee. The watermelon and other fruit growers in the Southern States have likewise represented their interest. The bakers have asked for a chance to be heard.

All of them seem to suggest similar or almost identical complaints in their selling position vis-a-vis the buyer and they have very deep feelings on this.

I would think that the kind of spot check that we have been able to make in meat could probably be repeated and duplicated in many of these other seller-buyer relationships and this only points up the urgent need for this broad study by a bipartisan Commission.

All of those groups, not just the dairy groups or the milk groups, have been here to tell their story, and I think this is of great significance.

Senator HART. I think the chairman speaks the sharp truth when you indicate that this problem can be found in virtually every segment of the economy. And at root, I take it, is this problem of concentration. Wherever you are, you see the consequences of it.

And whether this Commission would undertake to review broadly the problem of concentration and mergers across the economy or to limit it, as you indicate you feel it should, to the particular area of your prime concern, it will be useful, whichever approach is taken, to have the Commission review the antitrust—

Senator McGEE. May I correct just one point there?

Senator HART. Yes.

Senator McGEE. That is, if I understood it correctly, the breadth of the Commission's assignment would be to study the whole of the

food economy—the concentration of economic power within the food chains—and the marketing practices that flow in the wake of that. This would be a very broad, sweeping look, and then whatever is required to be done in the judgment of the Commission would fall into those enforcement or investigatory categories of the Government that already exist.

Senator HART. Well, I wonder if the chairman contemplates that it would be limited to a proposed study of food and food distribution systems—

Senator McGEE. Yes.

Senator HART (continuing). Or generally across the economy?

Senator McGEE. No; this would be limited. The Commission, at least as the resolution is now worded, would be limited to food, but to all food. I thought perhaps you were intimating maybe we were just going to look at meat.

Senator HART. No. Indeed no.

Well, it is a problem that has given concern to many of us.

Senator McGEE. Yes.

Senator HART. Not limited to food or meat but generally, from electric light bulbs to toothpaste. And I hope the Commission can assist in clarifying at least the one aspect in food that we have confronted.

Thank you.

Secretary FREEMAN. If I might summarize what both of you have done very well, it would seem to me you have put your finger on the fact that basically what the Commission would do would be, No. 1, document the changes that have been taking place and identify them, identify the problems that flow from this, and then recommend the direction in which these changes ought to be channeled for the national interest.

In the meantime, in terms of particular segments, the current laws and their enforcement proceedings would continue vis-a-vis antitrust, fair trade practices, and other things.

We really do not have answers now. This is a revolution, as I have chosen to call it, that is going forward with extraordinary rapidity, and we need to identify its implications and do so, I think, with dispatch.

Senator McGEE. Does the Senator from Michigan have another question?

Senator HART. No.

Senator McGEE. There is one other area here that we have not yet explored. In the President's proposal, acknowledgment is made of the probable need of staff in order to conduct the research. Now, whether this should fall upon the Commission itself or whether it should require implementing the staff of the Marketing Service or Federal Trade Commission or the Antitrust Division is not made necessarily clear.

What would be your position in terms of the need of a temporary increase in manpower to get at this question?

Secretary FREEMAN. I think the Commission, to do its job, needs its own staff of highly qualified people, that they will determine the extent of that staff within the guidelines set down by the Congress, that ongoing programs within Government can be called on for infor-

mation. We will do our best to respond by additional studies within the capacity of manpower and our current commitments.

But I think if this Commission is to be a meaningful one, it needs to have a competent and effective and thoroughly independent staff of its own.

Senator McGEE. One of the elements there that would disturb me a little bit is the time factor. That is, I think this investigation needs to get on the road. I think that we have been a long time just negotiating on this matter.

And it would pose the question of the most expeditious way of getting the show on the road.

The greatest experts we have in investigations, and research with accumulated history and experience with food marketing problems, are generally to be found right now in the existing agencies, in Federal Trade, the Antitrust Division, and in the Marketing Service. I would hope that there would be some way of bridging this time gap by utilizing them instead of merely borrowing information from them and supplying what they find out to the Commission; that it might be possible through the Commission and its powers envisaged to draft this kind of personnel for some of the key responsibilities in this kind of a study.

Now, would that pose special problems for you in, say, the Marketing Service?

Secretary FREEMAN. Well, there is always a shortage of real top-skilled, knowledgeable people, obviously. I could only answer by saying that this is a matter of tremendous importance in trying to move forward with dispatch. And we in the Department of Agriculture, if we were called upon to make people available, would do our best to make the most competent people available as quickly and as effectively as we could, and still carry forward the duties Congress has mandated us to carry forward.

Senator McGEE. I am glad to hear you make that statement, Mr. Secretary, and I would hope that the other agencies would express the same feeling. Because I do believe it would strengthen the hand of the Commission in getting at most of these facts with the least delay and with the greatest competence.

Without any question the most competent people available for this are already in the business of looking into some of these questions, but they are splintered or fragmented into several agencies of the Government.

Secretary FREEMAN. And there are also, I think, many very well qualified and dedicated people throughout our great land-grant college system in this field who have done a good deal of work also.

Senator McGEE. I would think among land-grant colleges that we would be able to find some expert personnel and that your department would already have had contacts with some and experiences that would help us to determine which ones would be the more competent and the more knowledgeable in this matter.

Does the Senator from Michigan have additional matters he would like to raise with the Secretary?

Senator HART. When I came in I wondered if you had been discussing with the Secretary the kind of public members that he could anticipate would be most helpful on a commission like this. Did I understand that to have been discussed?

Secretary FREEMAN. We did discuss that, Senator Hart, in general terms, of course, without identifying personalities. I know that the President is giving this some thought, because he is concerned with it. And people who have the qualifications of public confidence, integrity, and ability would be needed—also a maximum of exposure to some of the practices and the nature of agricultural marketing would be sought.

But mostly I think it would be people that would command broad public confidence and people of integrity and ability.

The analogy was drawn by the chairman to the composition of the Commission presently headed by the Chief Justice. This kind of caliber of people whose dedication to the national well-being would command complete public support and support from all segments involved, whose practices would be studied in terms of their fairness and their impartiality.

Senator McGEE. The Secretary did exclude from such a public group specific representatives from the elements involved—that is, chainstores, the feeders, the stockyards people, and the packinghouses.

Senator HART. He suggested they not be members?

Senator McGEE. That they be available for supplying information and judgments in terms of testimony but not by participating as members of the Commission.

Secretary FREEMAN. In other words, I do not think that this study would serve its purpose if you tried to match off various groups who would have—well, “special interest” is a term that has certain odious connotations that I do not want to apply to any particular group—but would have a certain orientation, let us say, by the very nature of their ongoing business.

Very often we have studies and groups that have a representative from X, Y, and Z groups. They necessarily go to the deliberations with some feeling that they represent a point of view or they represent a particular part of this marketing complex. And I think that the public members certainly and the members from the Congress ought to go to this not as representing any part of the agricultural marketing complex but representing the public and the national interest and to be identified as such.

Senator HART. Thank you.

Senator McGEE. That is all the questions that I have also, Mr. Secretary.

I would like to announce at this time that the next session of this committee hearing will be held next Wednesday, at which time we will hear from two or three other farm groups and from the Western States Meat Packers Association and the Packinghouse Workers and Meatcutters Union.

The National Association of Food Chains has asked to testify, and we welcome this cooperation in establishing the need for the President's Commission. They are scheduled to make an appearance on the 30th of April. I thought it might be helpful to announce that at this time.

It would be our hope that we could get all representative groups heard soon rather than delay this interminably, so that we might proceed to the committee action and the committee recommendation, whatever it may be, on the Commission.

Senator HART. Mr. Chairman, I have prepared some brief remarks that I intended, had I been here promptly this morning, to voice. Would there be objection if they were printed at this point in the record as though given?

Senator McGEE. No; there would be no objection. It would even be more palatable if you chose to deliver them in person.

Senator HART. No; I can hear a buzzer in about 2 minutes.

Senator McGEE. You will be the first Senator so far to observe that buzzer. But it certainly will be included as though delivered promptly this morning.

I want to thank you again, Mr. Secretary, and you, Dr. Mehren, for appearing here, and to particularly thank you for your helpful suggestions to the committee in regard to the pending proposal.

STATEMENT OF HON. PHILIP A. HART, A U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator HART. Your committee has before it a proposal by the President to establish a Commission "to study and appraise the changes taking place in the American food industry."

As chairman of the Antitrust and Monopoly Subcommittee, I have a special interest in this proposal, because I hope it will shed light on at least a part of the grave distribution problems that face our economy today.

For some time many of us on the Antitrust Subcommittee have been aware of the fact that the traditional free play of market forces which should characterize our economy has been either entirely absent or seriously curtailed.

Through a long series of hearings on so-called administered prices the late Senator Kefauver tried to alert the country to the fact that classical economic theory did not explain current pricing methods or current pricing patterns. He and several other members of the subcommittee were greatly concerned about the drift toward an economy dominated by a few all-powerful elements—in other words, an unhealthy concentration of economic power.

He pointed again and again to the many signs that indicated that monopoly and monopolistic practices which are the enemies of our free enterprise system were gaining the upper hand.

This concern, while shared by several members of the subcommittee, has not been translated into effective action. To date, it has been frustrating and difficult to develop sufficient interest in these problems at a time when the economy appears to be prosperous and expanding. Under the circumstances complacency is probably natural but it could also be fatal.

As chairman of the Antitrust Subcommittee, I endorse the establishment of the proposed Commission because I believe it will serve to focus on—create public interest in and an awareness of—the very problems that we have been concerned with over the past several years. It may well provide the catalyst that will generate effective legislation.

Secretary Freeman in his memorandum to the President said:

The issue here is not merely what has happened to the food industry of this country. At issue also is the kind of food industry the Nation needs two decades from now.

No one will quarrel with the objective as stated, except I would note that basically the issue is not only what has happened to the food industry but what has and is happening in the entire range of our distributive system. Concentration of economic power manifests itself in almost all of the various facets of our economy and is, therefore, a matter of grave concern.

Chain operations are not limited to food distribution and the difficulties in that industry are not peculiar or unique. For example, the department stores with their thousands of consumer items are now largely dominated by chain operators. This is not to criticize this type of operation but to emphasize the important point that while the food industry is perhaps the single most important industry in the country and while its productive and distributive elements may have certain distinctive characteristics, the problems that beset it are not unique or peculiar to it but cover almost the whole of the nonregulated part of our economy. The principles that will underlie any solution of the problems of the food industry will be, I believe, equally applicable to most other industries.

The solution of these problems is not simple. If the Commission is to do an effective job it will be required to make some very grave and profound proposals.

Frequently, we hear that the present laws are adequate, but that Congress hasn't provided sufficient enforcement machinery, or that the enforcement agencies need revitalization, or that the lower Federal courts are not equipped to handle these problems. We are familiar with these complaints because we have heard them so often. But while they may have some merit, our experience indicates that they do not go to the heart of the problem. To preserve and maintain our system we need both competitors and competition, and because of increasing concentration we are rapidly losing the former and stifling the latter.

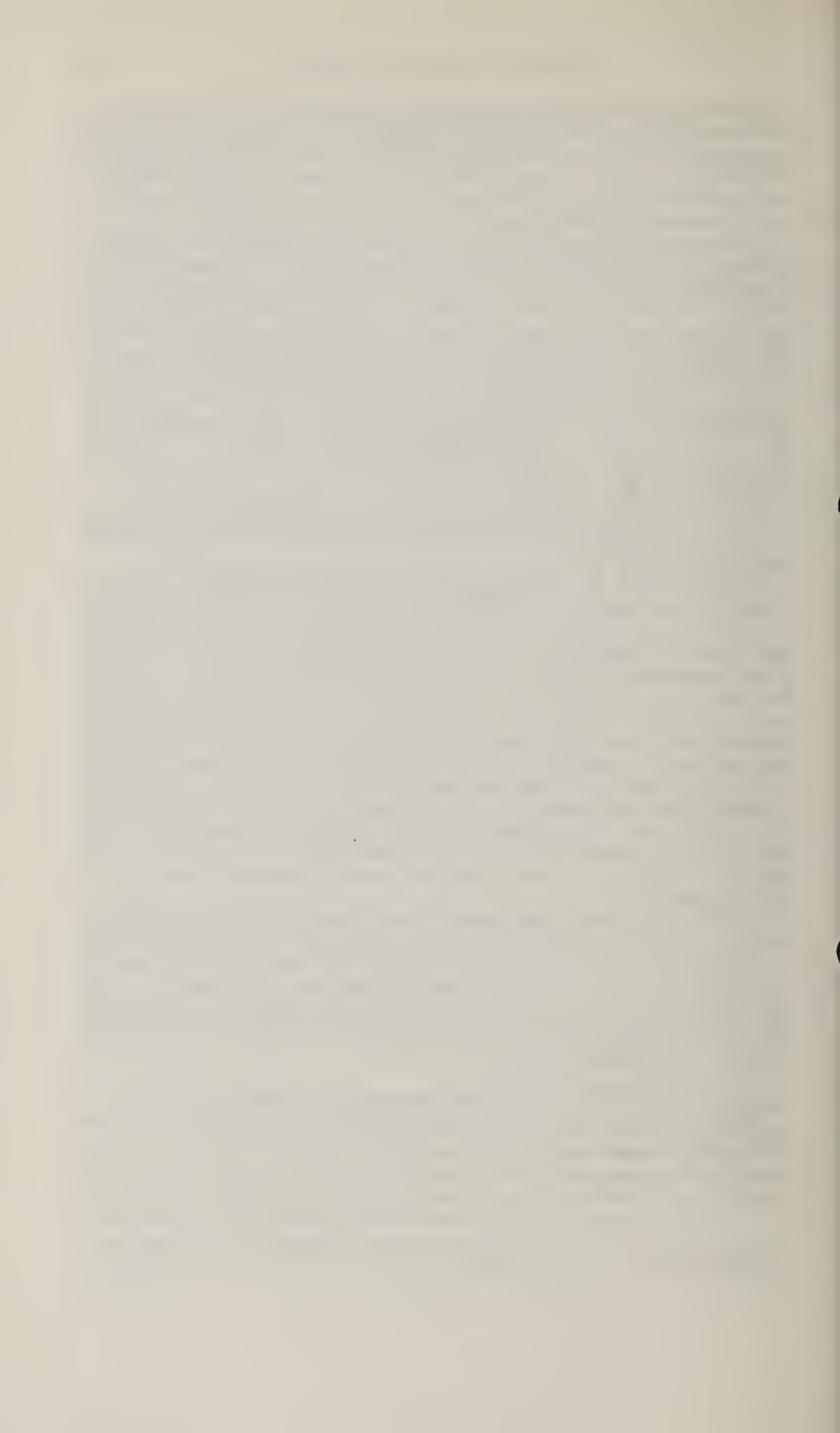
The Commission will have an opportunity to marshal the facts with respect to the food industry—to bring them forcibly to the attention of the public and the Congress. I believe it is only through an awareness of the dangers that our system faces that we can expect a marshaling of opinion sufficient to undertake the reforms that are needed and long overdue.

In the months and years ahead, as chairman of the Antitrust Subcommittee, it is my purpose to have the subcommittee continue its work in this all-important area of distribution problems. I am convinced it will take the very best understanding that can be achieved by all responsible executive and legislative agencies to define and achieve solutions which will permit our economy to have freedom of action in its most essential sense.

Senator McGEE. Thank you.

The committee now stands in recess until Wednesday.

(Whereupon, at 9:45 a.m., the committee recessed, to reconvene on Wednesday, April 22, 1964.)



STUDY OF FOOD MARKETING

WEDNESDAY, APRIL 22, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met, pursuant to recess, at 8:34 a.m., in room 5110, New Senate Office Building, Hon. Gale W. McGee presiding.

Senator McGEE. The committee sessions on Senate Joint Resolution 71 in its amended form, the Presidential recommendation for a bipartisan Commission on Food Marketing, will resume.

The first witness this mornnig is the Honorable Stuart Symington, Senator from Missouri.

Senator, the committee takes note of the fact of your leadership in this general area. It was early in February, as I recall, when you addressed yourself to some of these questions on the Senate floor and when you made a demand for investigation of the marketing practices of food chains by the Federal Trade Commission, the Justice Department, and the Agriculture Department.

Your knowledge and background on this matter make your appearance here this morning of considerable interest and help to the committee.

You may proceed in any way you see fit.

STATEMENT OF HON. STUART SYMINGTON, U.S. SENATOR FROM THE STATE OF MISSOURI

Senator SYMINGTON. Thank you, Mr. Chairman. I appreciate your kind remarks.

The fact is, if I may respectfully say so, you have been the leader in this effort to ascertain the truth with respect to the problems of the beef cattle farmer.

I would also say respectfully that every beef cattle farmer in Missouri and the Nation should be grateful to you for the work you have done in bringing this matter before the American Congress and the American people.

I have a prepared statement, Mr. Chairman. If in order, I would read it.

Senator McGEE. Yes. You may proceed with the statement.

Senator SYMINGTON. Mr. Chairman, it is a privilege to come before this distinguished committee today and express our concern over those questions which led the President to recommend that a Commission on Food Marketing be created to study the food industry from the farm to the consumer.

This concern is deeply felt in Missouri, a State where there is a close balance between the farmer's interest and the consumer's interest, between farm population and city population.

While ranking 12th in the Nation in industrial production and 13th in population, Missouri nevertheless remains one-third rural.

We continue, however, as a stronghold of the family size farm, with 170,000 farms, averaging in size about 200 acres.

Our State is one of the few States where agriculture literally ranges the spectrum, from Grain Belt to Livestock Belt to Cotton Belt.

In 1962, when the farms of Missouri grossed over \$1.3 billion from their widely diversified production, some \$566 million, or about two-fifths of the total, came from the sale of meat animals.

Our State ranks seventh in beef cattle.

It was only natural, therefore, that Missouri should be one of the States most heavily and immediately affected by the break in beef cattle prices some 15 months ago; and early in 1963, members of our congressional delegation were among the first to present this problem to both the Congress and the executive branch.

On March 27, 1963, I presided at an informal meeting here at the Capitol with Senator Long, my colleague of Missouri, Senator McGovern, of South Dakota, Congressman W. R. Hull, of northwest Missouri, and Congressman Leonor Sullivan, of Missouri. Representatives of the livestock-producing industry in our State and people from the Department of Agriculture were also present.

At that time, more than a year ago, we recommended examination and action on four different aspects of the beef price situation.

One was the fact that, several months after beef cattle prices had started to fall, no compensating drop had been reflected in retail beef prices.

Another point, still in question, was, How free and competitive is the market for beef cattle? We were told by respected sources in the livestock industry that only about 1,500 persons operate in the market as buyers for the entire supermarket "systems," which buy and sell about 85 percent of all the beef sold at retail in this country.

A third problem was that of lagging restaurant sales of better cuts of beef, this because of uncertainty over what business expense deductions were allowable on income tax returns.

Finally, there was this question of the very heavy increase in the shipment of foreign beef into this country, first apparent in 1962 and continuing in 1963.

On the two latter points, there has been some action.

Soon after our meeting, the new tax regulations were clarified by the office of Internal Revenue.

For some months, the impact of imports on the depressed condition of the U.S. cattle market was questioned. But later it was freely acknowledged that the heavy increase in imports was having a decided adverse effect on the prices paid to farmers.

Several weeks ago, Australia, New Zealand, and some other principal suppliers agreed to cut beef shipments to the United States 6 percent under the rate of 1963. Then on April 6, the Secretary of Agriculture announced that imports in the first quarter of 1964 from Australia and New Zealand were 29 percent, or 170 million pounds, under the same quarter in 1963.

These reductions help, but they still are not enough to restore stability to the U.S. domestic beef cattle market.

In the meantime, still open to investigation—and to that corrective action needed—are those questions with respect to present-day retailer operations which affect the farmer's share of the food dollar.

In recent years, low prices paid the farmer, not only for beef, but also in other lines of U.S. food production—for example, poultry and dairy—have given frequent rise to questions as to whether the retail chains, which now dominate the food retailing system in this country, are controlling the Nation's food supply to such an extent that they can actually "set the prices," to the unfair disadvantage of producers, processors, and consumers.

There have been limited inquiries by various bodies, including committees of the Congress, but as yet no really comprehensive study, such as that now recommended by the President, to determine the full effect of the present concentration in the food retailing industry.

Surely the complexity of this industry, along with its impact on the economic life and well-being of every American, deserves an impartial and thorough investigation, which we would hope would result in findings, conclusions, and recommendations.

The St. Louis Post-Dispatch presented the problems in an editorial last April 11, 1964, entitled "Two Sides of Beef." This editorial discusses the proceedings now before this committee.

Mr. Chairman, if it is in order, I ask that this editorial be inserted at this point in the hearing record.

Senator McGEE. Yes, it will be included in the record.

(The editorial referred to follows:)

[From the St. Louis Post-Dispatch, Apr. 11, 1964]

TWO SIDES OF BEEF

Housewives and cattle raisers who regard themselves as victimized when prices for cattle drop drastically and retail prices for beef remain high, or actually go higher, will applaud President Johnson's request for Congress to set up a national commission to look into the costs of food. Senator McGee of Wyoming, who is introducing the President's proposal, suspects the victimizers are some chain-stores, which he believes may be arbitrarily manipulating beef prices to keep them high. Cattlemen figure they lost \$2 billion in the process during a recent 15-month period, and while there is no figure for the loss to consumers the reasonable assumption is that it was about the same.

Prices of live beef on the Denver market dropped 8 cents a pound between December 1962 and March 1964 but average prices for choice cuts remained unchanged in the stores, according to the Rocky Mountain Farmers Union. The U.S. Department of Agriculture reports that from 1947 to the present year prices paid to producers dropped 13.8 percent and prices paid by consumers rose 26 percent.

Chainstores are enabled to manipulate the prices they pay and the prices they charge by operating their own feedlots for fattening cattle and by pooling the resources of a group of chains in the hands of a single purchasing agent, the Rocky Mountain Farmers Union says. It says they draw on their own feedlots until their withdrawal from the market has depressed prices, and then resume purchasing while prices are down. The chains deny price manipulation. Retail prices do not reflect lowered prices for live beef because retailers' rent, labor, transportation costs, and other fixed charges continually increase, they declare.

Whether retail chains should be permitted to operate feedlots is, nevertheless, highly questionable. The power to depress prices to producers and inflate prices to consumers is inherent in the arrangement. The courts required the major meatpackers to get out of the retail meat business 44 years ago. If it is against the public interest for processors to retail meat, why is it not the same for retailers to process meat?

President Johnson's request to Congress does not specifically mention meat prices. It proposes an investigation to determine whether "the benefits of advanced technology are being fairly distributed among farmers, processors, distributors, retailers, and consumers." The commission of inquiry would be composed of five Senators, five Representatives, and five members to be appointed by the President.

The spread in beef prices between the producer and the consumer has been investigated by committees of Congress in 1956, 1959, and 1960 without appreciable results. It is time legislation and enforcement were improved by such a thoroughgoing examination as the President suggests.

Senator SYMINGTON. Thank you, Mr. Chairman.

Now I would like to read a short part of this editorial.

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That is the end of this part of this editorial.

In this same connection, Mr. Chairman, members of the committee may recall that on February 19 I presented in the Senate certain facts as to how imported beef can be used by retail chains to hold down the prices paid for domestic beef. I ask that this address be inserted at this point in the hearing record.

Senator McGEE. Yes, it will be included in the record at this point.

I might add that it has also been referred to on several different occasions by witnesses already appearing before the committee.

Senator SYMINGTON. I am glad to hear that. Thank you, Mr. Chairman.

(The address referred to follows:)

BUYING PRACTICES OF LARGE RETAILERS

Here is what one recent study of retailer meat buying practices reports:

FOOD CHAINS AND INDEPENDENTS DOMINATE

"The national food chains retail 51 percent of beef in the United States, and 40 to 45 percent of total supermarket volume in the United States is through large independents.

"The independents follow the national chains. Therefore, retail beef sales through national and independent food chains represent about 85 percent of the total retail sales of beef.

"In a typical 25-store supermarket chain, 35 percent of the total dollar meat volume is in fresh beef. Of \$100,000 weekly volume in a store, \$35,000 will be beef.

"Eighteen percent of the dollar sales of beef is ground beef—hamburger. On a pounds basis, hamburger sales total over 50 percent of total beef sales at retail. Hamburger is made up in three classes of meat: (1) Ground foreign beef; (2) blended foreign and domestic beef; and (3) ground domestic beef.

"Beef is usually ground by the retailer. One informant explains there is a widespread preference for foreign beef because it has never been grain fed, is unusually lean, and has been frozen, therefore somewhat dehydrated, and absorbs up to 20 percent more water than domestic beef.

"One pound of hamburger from foreign beef will carry 3.2 ounces more water, or 20 percent of the weight, which the consumer buys at so much a pound."

THE PRICING PROCEDURE

Tuesday noon of each week, the national chains advise the packers the prices they will pay for specific grades and cuts of beef. Monday purchases by packers are on the basis of last Tuesday's prices payable by chains.

"Until recently, one chain advised packers on Wednesday noon of what it was willing to pay for beef. However, recently this has been changed. Now most if not all chains give advice on Tuesday noon; then again on Wednesday noon they cover the grades and cuts not indicated in the Tuesday prices. Until recently, these prices were posted in writing on the board at some of the exchanges.

"The provisioners report that they follow the price schedules of the national chains.

"By this means, the big chains can and they do dictate prices. They get away with it because the packer can either take it or leave it."

WHY THE CHAINS CAN BE SO INDEPENDENT

"One reason the large buyers can be so independent in their pricing lies in the practice called aging of the beef—not hamburger, just the better cuts. However, beef on hand that is also in the process of aging constitutes in effect a strategic reserve inventory, and the size of this inventory varies depending upon the available supply and price.

"One chain ages its beef in its own warehouses approximately 3 weeks. The variation in aging time reflects marketing of live cattle, availability, and price as well as aging.

"Another chain uses tender ray light treatment, but still maintains a 2- to 3-week inventory.

"Independents with meat-handling facilities variously follow suit. The others work through packers and provisioners.

"By staying out of the buying market for only 1 week, any one of the chains can create an oversupply of beef in any major market. They don't have to do a thing but sit on their hands and not buy. That is, if they have plenty of hamburger beef on hand; because that's the big item."

HAMBURGER IS THE KEY

"The importance of hamburger may not be understood by Congress, the USDA, or even by many cattlemen. A knowledgeable analyst knows that cow liquidation at an excess rate always breaks the price of beef—all the way up the line.

"Foreign beef imports play the role of excess cow liquidation pressure on the price of beef. And here is how it works:

"Fifteen percent of total beef consumption in the United States is foreign beef, which includes, at retail counters, the extra 20 percent water. So the retail total is 18 percent of total beef consumption.

"Normal cow liquidation plus foreign beef hamburger and blend, plus extra water combine to total a cow liquidation equivalent rate higher than we have seen in recent history.

"Some USDA economists may look at foreign beef, which is suitable only for hamburger and soup, and lacking experience, fail to figure out correctly this 'cow liquidation equivalent' factor.

"One citizen tells of having written four Members of Congress who referred the letters to the Department of Agriculture, as the result of which the citizen received back four separate identical letters from the USDA, those letters saying:

"The large national chains sell 51 percent of the retail beef in the United States. These chains engage in a free enterprise competitive market when buying beef."

The Secretary of Agriculture is probably not proud of that letter—if he knows about it, which I doubt—because what the letter says about "free enterprise competitive market" is exactly opposite to the facts as presented in the study from which I am quoting.

"These misunderstandings when coupled with their buying advantages protect the chains—large and small—from having to engage in a free competitive market in the following ways:

"1. Huge stocks of aging beef in inventory provide a buffer against development of a seller's market. As much as 10 percent of a year's supply has been admitted by one chain indirectly through advertising and promotion of its own meat.

"2. Since aging is not required for hamburger, foreign beef can be used immediately for that purpose.

"3. Foreign beef is afloat 2 to 5 weeks before reaching U.S. ports. It is bought, sold, sometimes twice, bargained for while en route. Most such trade is handled on the telephone.

"4. Supermarkets can project future hamburger supplies easily by contracting en route foreign beef. Thus, the chains can roll with the punches in normal marketing fluctuations, particularly in buying lower grades.

"5. Weakness in the market always brings down the price of finished cattle, the better grades.

"6. Two to five weeks' inventory gives a lot of time to 'take up the shock' of reduced supply of cattle."

Mr. President, in addition to the advantages enjoyed by the giant retailers as listed in the six summary points of this study, it is my understanding the chains are now taking 2 to 4 weeks to pay packers for their purchases. When many millions of dollars are involved, this means a significant saving in interest costs.

The commission buyers and the packers must pay for the livestock they buy within not more than 24 hours, therefore, in effect, are financing the meat operation of the chains.

Repeatedly, Congress has passed legislation and directed the executive branch to prevent the monopolistic buying practices as are indicated in the study which I have just presented to the Senate.

The Packers and Stockyards Act, passed in 1921 and last amended by the Congress in 1958, prescribes rules of fair competition and fair trade practice for all persons or firms engaged in livestock marketing and meatpacking in interstate and foreign commerce.

Under this act, livestock market operators are supposed to see to it that bidding by buyers is open and competitive.

They need help in carrying out their duties. The livestock producer needs help; and the consumer needs help in order to get the benefit of the productivity of our American farms, at prices fair to all concerned.

WHAT CAN BE DONE

Prompt action is needed. Certain positive steps should be taken, including:

First. The Departments of State and Agriculture should continue their negotiations to limit beef imports to the lowest practicable level, by negotiation if possible, otherwise by Tariff Commission action.

Second. Steps should be taken immediately to require labeling of foreign meats at point of sale to the consumer.

Third. For the protection of the American public, foreign packers and processors should be required to have the same type of inspection as in this country.

Fourth. Analysts in the Department of Agriculture, representing the American producer, should study further the "cow liquidation factor" when evaluating the effect of foreign beef on our cattle markets. Reduction in foreign beef imports will increase sale of older cows which in turn will reduce the annual calf crop and help cut the oversupply.

Fifth. The Packers and Stockyards Act should be enforced to see that bidding for meat and livestock is in reality open and competitive.

Sixth. The Department of Agriculture, the Department of Justice, and the Federal Trade Commission should investigate the present buying practices, and take such action as necessary to see that any violations of antitrust and packers stockyards laws are stopped and violators punished.

Senator SYMINGTON. At this point in this hearing I would like to summarize briefly, if I may, certain highlights of that analysis presented at that time.

National and large independent chains handle 85 percent of all beef sales at retail in the United States; 35 percent of supermarket meat

sales volume is in beef. And over half the volume of beef sales by weight, and 18 percent by dollars, is ground beef—hamburger, usually ground by the retailer.

Imported beef, because it becomes somewhat dehydrated while frozen, absorbs up to 20 percent more water than domestic beef; hence, 4 pounds of this partly dehydrated imported beef could become 5 pounds when the one-fifth water is added in preparing the beef for the retail counter. This means that whereas imports account for 15 percent of the beef bought by retailers, actually they could account for 18 percent of the beef sold by retailers, because of this water content.

I might say, Mr. Chairman, without attempting to be casual about it or superficial, this is a clear interpretation of the previous definition of watered stock while originated in the cattle programs of this country about 100 years ago and then was transferred to the stock market, and now it comes back to its place of birthright.

As to whether the American domestic market might absorb the recent rate of domestic production were it not for imports:

If this imported 18 percent of the retail supply were added to cow liquidation of domestic stock, the so-called domestic overproduction picture could change in the direction of a more balanced supply-and-demand picture.

A further point covered is the purported practice of chain retail organizations in maintaining very substantial stocks of beef in inventory, under the process of "aging." On this particular point, Mr. Chairman, I hope that the committee which I am confident will be formed will do their best to get the details of this particular operation.

Two to five weeks' inventory was said to be maintained by those organizations, and, backing up that reserve inventory was the inflow of imported beef, which requires no aging and can be used immediately for hamburger. Thus, the chain is assured of a constant hamburger supply, and therefore is in position to stay out of the domestic market 2 or more weeks if need be, so as to let supplies there build up, and thereby weaken the price of better grade cattle.

Of course, as the chairman knows at least as well as any member of the Senate, during that period of holding off purchasing, the cattle must be fed, must be watered, and, therefore, whatever its value, it is reduced accordingly to that extent.

That is one of the points that the cattle people in my State have emphasized and reemphasized.

Senator McGEE. The uncertainty and the liability falls on the grower in that case, with none of it being carried by the buyer.

Senator SYMINGTON. That is exactly correct, sir.

The study also stated that national chains, with their tremendous buying power, can, in effect, dictate wholesale prices by serving notice on Tuesday of the week before what prices they will pay for specific grades and cuts the following week.

Many chains now take 2 to 4 weeks to pay packers for their purchases—this is another point that interests me especially—whereas the commission buyers and packers must pay for the livestock they buy within 24 hours. So it is a fair statement that actually the burden is on the commission buyers and packers to carry at least part if not all of the financing of the chains.

Senator McGEE. Without charge.

Senator SYMINGTON. Without charge.

Senator McGEE. To the chains, that is.

Senator SYMINGTON. Without charge to the chains.

Testimony brought before this committee from the Department of Agriculture shows that between 1947 and 1963 prices paid to beef producers dropped 13.8 percent, while prices paid by consumers rose 26 percent.

To me, Mr. Chairman, these are probably the most significant figures of all. Every now and then you run into a new method of merchandising. For example, the standard way of merchandising goods in this country was from the producer to the distributor to the dealer to the consumer.

The reason Sears, Roebuck became the greatest retailing organization in the history of the free world was at least partially because they eliminated the distributor. They acted, you might say, as their own distributor and shipped directly to their dealers.

That was a logical and beneficial development to the consumers of the country because they ended up buying many things for less than they did under the older merchandising system.

In this case, however, there is no claim that there has been any saving to the consumer. In fact, the figures as analyzed prove the opposite. I do not think anything could be more important, if I may respectfully say so, as to these hearings, and what the plans would be for this Commission.

As a result of what has been going on, apparently there has been no saving for the consumer, actually a penalty to the consumer and a penalty to the producer.

To me it is clear this may be the nub of the problem.

I would agree wholeheartedly with the Secretary of Agriculture when he recently told this committee, and I quote:

No satisfactory answer can be found to explain the sharp increase in the spread between what farmers get for what they sell; and what the consumer pays to carry the food out of the store.

We also believe, with those farmers quoted by the Secretary, that all possible efforts should be made to solve the riddle: Why is it becoming harder for the American farmer to earn a decent income despite the steady increase in his efficiency?

If I may deviate there for a minute, Mr. Chairman, as you know at least as well as I, the custom in American industry—agriculture is an industry—is to reward a producer for efficiency. To the best of my knowledge, this is the only industry in America where the producer is penalized for efficiency.

Senator McGEE. Is this perhaps due to his relatively weakened marketing position?

Senator SYMINGTON. That is correct, sir. He is the only man in the United States who has no control over what it is necessary for him to buy, the price of what it is necessary for him to buy, to run his business, and then no control of the price for which he sells his product.

Senator McGEE. Now, it has been suggested to this committee that the costs of operating have steadily risen at the same time for the chains. They say labor costs have gone up, packaging costs have gone up, real estate costs have gone up, and that this, therefore, is reflected in the higher prices of chains.

But it would appear from what the Senator has just indicated here that, with the chainstore offering as many item as it does, 5,000 or 6,000 items, whereas their bargaining position with General Foods or someone like that as a supplier may not be very strong, they are making up what they lack in bargaining position with General Foods from the individual operation of the farmer and taking it out of his productive efforts in order to balance off their overall operation.

If that is true, then this likewise becomes an area of central concern to this committee.

Are we to permit a gigantic marketing device such as the chains have become to threaten to put out of business a substantial segment of small producers in order that they may balance their books, as it were, because of their equivalent bargaining position with gigantic producers of other commercial commodities?

Senator SYMINGTON. No question about that. The costs to the processor have gone up to the point where he as well as the producer are now incurring heavy loss, as presented in the estimate of a \$2 billion loss in the last 15 months. The costs to the consumer have also gone up heavily, 26 percent.

So the costs of everybody have gone up, but the profits have gone down, with one exception. The profits of the retail chains have gone up.

I would hope that that would be part of this Commission's investigation, especially as 35 percent of all meat sales in the chains come from beef.

I do not think that this Commission, organized and staffed properly as I know it will be, will have any trouble in bringing to light where the squeeze is from the standpoint of the consumer and the producer.

You cannot get around the figures. They will speak for themselves, Mr. Chairman.

May I proceed?

Senator McGEE. Yes, please.

Senator SYMINGTON. Over 90 percent of food retailing is in the hands of firms which participate in central purchasing operations or have some degree of self-owned procurement and processing services.

Such concentration brings into play forces over which neither the producer nor the consumer has much control or influence.

As presented last February 19, Mr. Chairman, I have previously urged further steps to bring beef imports back to a practicable level—namely, steps to require labeling of foreign meats at point of sale to the consumer; requirements that foreign packers and processors supplying meat to the American public undergo the same type of inspection as is demanded in this country; and that the Packers and Stockyards Act be faithfully enforced in order to insure that future bidding for meat and livestock be really open and competitive; and that appropriate agencies of the Government investigate thoroughly whether present buying practices in the food distribution industry are in the public interest.

As we look at the widening price spread between farm and dinner table, with the farmer getting less steadily and the consumer paying more, for the reasons which I have outlined in this statement and reasons which will be presented and have been presented by other witnesses, I respectfully urge that this committee approve Senate

Joint Resolution 71 so the impartial National Commission on Food Marketing as proposed by the President may be appointed promptly, so also, thereupon, that this Commission can carry out those long overdue studies on what is happening to the food dollar.

That concludes my statement, Mr. Chairman.

May I add that, as this editorial which I put in the record brings out, it is my conviction, representing one of the largest farm States, that you and this committee are performing a great service to the beef cattlemen of this country. The latter have incurred in recent months tremendous losses as a result of operations and developments beyond their power to control.

Senator MCGEE. I want to thank the Senator for his helpful comments, and for the information which he has supplied the committee here this morning.

I would like to raise a thought or two with him for his judgment.

The suggestion has been made that in the interests of efficiency that perhaps it would be just as well if the chains would take over the feed-lots and cut out the middleman, as Sears did in distributing, and thus save more money. That is, with the economic revolution taking place in marketing that perhaps we would be better off with the elimination of some of the customary and historic steps in the preparation of these supplies.

Would you comment on this suggestion that has been made?

Senator SYMINGTON. I have two comments. First, if you did that, it would be important to consider it from the standpoint of vertical development.

Senator MCGEE. That chain of bells might be regarded as a conspiracy here [referring to Senate buzzer]. [Laughter.]

Senator SYMINGTON. There are various ways of controlling a merchandiser in industry; for example, the development of a name to the point where you can withdraw a franchise when you have major public acceptance. But that is totally beyond any beef situation. Therefore I would say there is grave danger in letting the retailer control the producing and fattening and processing of cattle, from the standpoint of combination in restraint of trade.

When Bob Wood became head of Sears, Roebuck, his predecessor, who had not been a merchant, rather, head of a railroad, got the idea he would like to make an extra profit by buying the plants which sold Sears, thereby benefiting his stockholders by obtaining the manufacturing profit as well as the merchandising profit.

That turned out to be all wrong, because the specialists in merchandising were not specialists in plant production. As a result, Sears went out of its way to work out arrangements whereby they maintained an interest in return for the business they put in these plants, but they obtained operators to operate the plants, and concentrated on merchandising.

The point I make here, Mr. Chairman, is that there would be costs incident to the retailers operating in cattle that would ultimately have to show up in the price to the consumers; and which would negate the theoretical concept of the advantage they would have in the elimination of one profit.

As the chair knows better than I, one of the grave problems in the beef industry is grading.

It would be interesting to see, if the retailers control completely their own feeding units; how they would grade their own cattle, from the standpoint of the consumer.

Senator McGEE. That is a very interesting question.

The suggestion has also been made to the committee that an investigation such as this, of marketing practices, at least as they affect cattle and beef, is a diversionary tactic away from the impact of imports on beef prices, that the real question is imports and that therefore we should not be getting off the track with the study of marketing practices.

Would the Senator care to comment on that charge?

Senator SYMINGTON. Thinking off the top of my head, because of what I put into the record with respect to the method of utilizing, by the large retailers, of importations, there is no way to deny the seriousness of this the import problem as of today.

But, as I see it, sir, imports are only a facet, one component part of what is going on every week and month, based on my past experience with chains selling; that can assume a dominant position by controlling price. As soon as you make it possible, whether through imports or feed lots, or whatever, for the retailer to dictate the price regardless of the cost, dictate to the producer or the processor, then you also make it possible, in my opinion, for the retailer to dictate the price to the consumer regardless of cost.

So I would say the two go hand in hand together when considering a solution to the problem.

Senator McGEE. The answer that you suggest, then, is that there are several forces that condition the depression of livestock prices—

Senator SYMINGTON. Yes, Mr. Chairman.

Senator McGEE. And that you cannot relieve that situation by looking at only one?

Senator SYMINGTON. That is right, Mr. Chairman. They took the packers out of the retail business 44 years ago. If the packers should get out of that part of the business then, the retailers today, following the same line of thought, should get out of producing.

The method of utilization of this importing, dehydration problem enhances the problem always characteristic of low-price imports going into any highly developed country with its high standard of living.

I agree with the Chair. I think the importance of this Commission would be its measured analysis of why it is that the beef price to the farmer and the packer has been going down, yet the price to the consumer has been going up, and the only profits that have gone up are the profits of the retailer.

Senator McGEE. Yes, I think the Senator puts his finger on the real core of the issue here. If, for example, in the livestock area, we could get the ideal solution to importing, if we could get the ideal solution to the tax inequities that may exist and encourage overproduction at times, if we could clean up entirely the operations within the industry itself that sometimes depress cattle prices, like carrying heavy steers too long, if we could do all of those things, they would all still fall far short of the mark if there was a manipulation of the market that could still depress the prices. Therefore, it is important to get at the center of the marketing force.

Senator SYMINGTON. The chairman states it better than I did.

Senator McGEE. That is all the questions, then, that we will have at this time, Senator Symington, and I want to thank you again for your forthright suggestions to the committee.

Senator SYMINGTON. Thank you, Mr. Chairman. It has been a privilege to appear before you this morning, sir.

Senator McGEE. Thank you, sir.

The second witness this morning will be Mr. Harry Graham of the National Grange.

Mr. Graham, I assume that you will be speaking for your organization and in part for the master of the grange, Mr. Herschel Newsom. Is that correct?

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE ASSISTANT TO THE NATIONAL MASTER, THE NATIONAL GRANGE

Mr. GRAHAM. This is correct, Mr. Chairman.

I am the legislative assistant to Mr. Newsom. I should tell you, first of all, that he wanted to be here this morning to add whatever prestige he could to our support of the resolution which is before this committee. Mr. Newsom is ill, and he could not get here, so his absence should not be interpreted as a lack of interest in the adoption of the resolution.

I would say further that I am aware that you have a 10 o'clock deadline, have you not?

Senator McGEE. Yes. I am wondering if you might consider putting the full statement in the record and then highlighting it now informally as you go along.

Mr. GRAHAM. This is exactly what I was going to suggest be done, because I know the importance of the testimony of our good friends from the national council, and I will use no more than half the time, if somebody will help me be timekeeper.

Senator McGEE. All right.

Mr. GRAHAM. My name is Harry L. Graham, legislative assistant to the master of the National Grange.

It was 90 years ago that the Grange movement was born. Granges had been organized for 6 years previous but the dynamic and fantastic growth of the grange movement which makes it an unusual phenomenon in American history did not get underway until the last part of 1873 and the early days of 1874. During the first 3 months of 1874, over 2,000 subordinate or local granges were formed per month across the Nation.

Why do I tell you this as we come to testify concerning the need for a bipartisan commission to investigate the purchasing and marketing practice of the food industry? It is simply because some of the factors appear to us to be involved in the present situation which were so much the root cause of the Grange movement. The unrest in the Midwest at that time was directed against the railroads and the "middlemen."

One farmer, quoting from the speech of Tiberius Gracchus in the first century expressed a sentiment not unlike that which we have been hearing from cattlemen all across the Nation during the last few months when he said:

Like rabbits, we are the prey of hawks by day, and owls and foxes by night. Is there no remedy for this? Is there anything in the occupation of agriculture

that makes man a legitimate prey for all the human vampires that infest the earth? The railroad companies fix the price at which they will carry the grain to Chicago; elevators fix the price for handling it; the buyers finally agree how much they will give for it; and each one of these middlemen takes such a slice as he pleases, and the farmer timidly submits.

W. G. Sumner, writing in the April 10, 1873, issue, of the *Nation*, commented upon the Princeton, Ill., convention by saying the delegates to the convention—

constitute, in fact, an earnest, though almost inarticulate, protest against the whole present organization of the railroad system of the country—a protest the more dangerous because both unintelligent and angry.

But it still brings forward into clear strong light what must inevitably prove one of the momentous questions of the future. In its essence, that which the farmers demand is just. They ask for an access to the market that shall combine the three elements of certainty, economy, and impartiality. All of these are reasonable demands, yet they are just what the present system of transportation can never afford. It is not the fault of the railroad corporation. It is nothing less than a breakdown of competition as applied to our railroad system.

Two answers were proposed to the problem at that time and they were as widely divergent as the political and economic spectrum can permit. The railroads insisted that any interference with their operations would cause a drying up of the capital needed for the expansion of the railroads.

The opponents of the extreme type of laissez-faire capitalism which was being demonstrated in America at that time countered with the philosophy of the Socialists, who were called Communists at that time, and suggested that if the contention of the railroads be true that it was the duty of the Government of the United States to build a double-track railroad from Omaha to New York City along the water level route and that this railroad should be operated at a very modest profit for the benefit of the consumers and the producers at the same time.

The Granger movement was engulfed in this brawl and indeed the Iowa State Grange presented a resolution at the 1874 convention in St. Louis asking for such a nationalized railroad. It was during that 1874 convention that the National Grange passed a document which has been called the magna charta of agriculture and which we call the declaration of purpose of the National Grange.

After a stormy session that lasted many days, the convention quieted down and among its statements are these to which I want to call your attention, because, although they are 90 years old, they still contain the outline which the Grange has consistently followed now for almost a century.

Business relations: For our business interests, we desire to bring producers and consumers, farmers and manufacturers, into the most direct and friendly relations possible. Hence, we must dispense with a surplus of middlemen, not that we are unfriendly to them, but we do not need them. Their surplus and their exactions diminish our profits.

We wage no aggressive warfare against any other interests whatever. On the contrary, all our acts and all our efforts, so far as business is concerned, are not only for the benefit of the producer and consumer, but also for all other interests that tend to bring these two parties into speedy and economical contact.

Hence, we hold that transportation companies of every kind are necessary to our success, that their interests are intimately connected with our interests, and harmonious action is mutually advantageous, keeping in view the first sentence in our declaration of principles of action, that "Individual happiness depends upon general prosperity."

We shall, therefore, advocate for every State the increase in every practicable way of all facilities for transporting cheaply to the seaboard, or between home producers and consumers, all the productions of our country. We adopt it as our fixed purpose to "open out the channels in nature's great arteries, that the lifeblood of commerce may flow freely."

We are not enemies of railroads, navigable and irrigating canals, nor of any corporation that will advance our industrial interests, nor of any laboring classes.

In our noble order there is no communism, no agrarianism. We are opposed to such spirit and management of any corporation or enterprise as tends to oppress the people and rob them of their just profits. We are not enemies to capital, but we oppose the tyranny of monopolies.

We long to see the antagonism between capital and labor removed by common consent, and by an enlightened statesmanship worthy of the 19th century. We are opposed to excessive salaries, high rates of interest and exorbitant profits in trade. They greatly increase our burdens, and do not bear a proper proportion to the profits of producers.

We desire only self-protection, and the protection of every true interest of our land, by legitimate transactions, legitimate trade, and legitimate profits.

We desire a proper equality, equity, and fairness; protection for the weak; restraint upon the strong; in short, justly distributed burdens and justly distributed power. These are American ideas, the very essence of American independence, and to advocate the contrary is unworthy of the sons and daughters of an American Republic.

It was precisely this attitude which prevailed in the latter part of the 19th century when for the first time since capitalism began to really develop the political machinery of the Nation, through control and regulation, brought capitalism into its proper relationship with the people of the Nation.

In the more famous of the Granger laws, the Interstate Commerce Commission law and the Sherman antitrust law the American people began the process of modifying the laissez-faire type of capitalism to make it a servant instead of a master of the people and thereby chartering a new direction for a capitalistic nation.

The modified capitalism which resulted is the true capitalistic system of America. It was and is a demonstration of the ability of capitalism to modify itself to put service to people ahead of their exploitation which Marx thought impossible.

Our forefathers correctly saw that although socialism was one answer, a far better answer was to control the excesses of the capitalistic system. They gave us the machinery to use at the present time, if necessary to alleviate one of the situations which is causing vast distress to American farmer.

We testified before the Senate Finance Committee concerning beef imports and opposed, at this time, the imposition of such import quotas; not because we think they are unimportant or not needed; but because we believe that until we get all the information that is necessary concerning this problem any piecemeal attack on it might leave us in a considerably more difficult situation than a more deliberate and intelligent total attack would do.

We recommended that such Commission be established as is called for; and would like to expand our recommendations and record the reasons for them before this committee.

Contrary to the allegations of those whose recommendations are based on superficial knowledge, the kind of regulations which the Grange has supported in the past has not limited competition; but has on the contrary enhanced it.

Competition can be removed from the market in two ways: first by the Government becoming the market, as in socialism, and secondly by monopolistic practices on the part of those who are in a position to control the market.

We demonstrated long ago that neither position is acceptable to the Grange; nor should it be to the American people. We have also proven that Government regulation can be used to increase competition; which is precisely what happens when monopolies are curtailed or properly "regulated in the public interest."

We can understand what is beginning to happen in the beef industry at the present time by looking at what has already happened in the broiler industry. During the past few years over 90 percent of the individual broiler producers in the Nation have disappeared.

Through vertical integration, not only have the factors of production fallen into the hands of giant feed combines, but the factors controlling the market have likewise fallen into the hands of those who are able to manipulate the market; to deprive the producer of a just return and to withhold from the consumer the products which might influence the market downward to the consumer if these factors were allowed to become more responsive to normal competitive influences.

We have had steady complaints from poultrymen, especially broiler producers, that some of the larger chains shop around until they can find a producer who is in a distress position and then they beat down the price to this one producer to then contend that this established a "market" from which basis to go out and in turn drive down the prices to all producers.

In order to make this cycle complete, they use poultry products as loss leaders with a spectacular sale for one weekend. Because there is a time limit as to how long a producer can hold his products, when these products are poultry or beef, potatoes, or onions, it is possible to so organize the purchasing program for these commodities that the market can be stored at the present time under modern refrigeration; so that a distress condition can again be created amongst the producers enabling the cycle to start all over again.

In the meantime, after a weekend sale of poultry products or specially broilers at 25 to 27 cents per pound, the price goes back up to 39 to 45 cents per pound and holds steady until the next major sale comes along as a part of the cycle which we have described.

Poultry producers and poultry councils have asked the National Grange and the National Council of Cooperatives to try to correct this situation. We have informed them that we would be glad to do what we can to help them, but that this is a problem which requires resources which are not available to us; and authority which we do not have.

We do not make these allegations for the Grange. Our suspicions that they are true arise from some facts and from reports which we believe are well founded. It is, however, in our judgment that to determine the truth of these allegations the creation of a bipartisan commission with adequate subpoena powers and adequate staff is proper.

The allegations concerning the cattle processing and marketing industry are basically the same as those which we have mentioned for chickens.

One difference is that it is charged that the major distribution agencies for beef products employ another technique of doing their own

feeding and also holding from their processing cattle which have already been fed out and which they have purchased. This would enable them to meet their own needs at any special time when the price might be justifiably increased to the producer.

This kind of manipulation of the products going onto the market by those who are to distribute them very easily then could have a disastrous effect upon the income of those who are producing the raw product for the market.

This question, in our opinion, should not be confused with the profit level of the chainstores or processors except in an incidental way. The National Grange has never opposed any pricing system which will return legitimate profit to the producer of the commodity that is needed by the American people.

We have noticed that there has been an increase in profits across the board. We are not opposed to this; except when those profits are acquired by the manipulation of the market in such a way that the producers of our agricultural products do not, in turn, receive their fair share of the market returns, and an income adequate enough to allow them to meet the costs of production and show a slight profit.

We are also concerned when the efficiencies of our distribution system and its ability to earn a profit for its stockholders, are not used to enable the American consumer to have a regular supply of food products at a reasonable and fairly steady price.

The National Grange therefore recommends the creation of this Commission with adequate powers and resources to determine if there has been a concentration of economic power in few enough hands that they can unilaterally or in collusion significantly influence the market prices of agricultural products.

If it is found that this is true, then it is hoped that existing legislation provides sufficient basis and authority to allow the proper governmental agencies to correct a condition which unwisely restricts effective but reasonable competition and is therefore detrimental to the general welfare.

If there is not sufficient legislation to enable this to be done, then we suggest that this Commission should consider very seriously whether or not we need additional legislation to control these monopolistic manipulations of the market.

We would suggest that the Commission take a long hard look at the problem of vertical integration and its long time ramifications in relationship to the general welfare of American producers and American consumers.

We may need additional legislation to enable producers and consumers alike to protect themselves from the injurious practices of those who would manipulate the market for their own excessive exploitation of both consumers and producers.

We should express also our concern about the composition of this Commission. Obviously, it should have both producers and consumers on it. Industry should be represented on the Commission; not in sufficient numbers to make it meaningless; but with knowledge that can help to direct the investigation so that it arrives at the maximum truth. No one's judgment is better than his facts.

We would therefore like to sell all the facts relating to this problem brought out and then we can make whatever decisions are necessary.

We do believe that the farmers are the ones who are the most adversely affected by the situations which we have described and that this Commission should be strongly representative of the interests of American agricultural producers.

The minority position which is occupied by American farmers at the present time leads us to believe that this is one of the instances where we are not able to adequately protect ourselves; and that we must ask for an intelligently conceived and designed effort of the Government to determine and correct any monopolistic abuses of the legitimate competitive right of and benefits to the agricultural producers; for their own present welfare, and for the long-run general welfare of American people.

We do not believe that socialism is a big threat to our American free enterprise system nor is it likely to be unless we allow our system to deteriorate into becoming the kind of a capitalistic system which Marx described in "Das Kapital."

The bountiful results of the modified American capitalistic system which retains a maximum of individual enterprise within carefully but adequate defined legal restraints, which have been enacted to protect the general welfare, has made us the economic envy of all the world.

What we are suggesting at this time is not an attack upon the free enterprise system; but that an attempt should be made to protect it from its own excesses—from the undisciplined exploitation of the "weak," by the "strong."

This has been the position and program of the Grange for almost a full century. The wisdom of our position which resulted in the passage of the original Grange legislation is justified in the America which we see all about us.

I should like to close this testimony with a quote from the Honorable George Aiken, senior Senator of Vermont, from a speech which he made on the Senate floor on January 22 of this year:

Our farmers deserve an income and standard of living fully comparable to that enjoyed by people in other lines of business. While they are still at the mercy of the weather, there is no reason why they should be at the mercy of price manipulators—national or international. Free enterprise should not be construed as licensing the few to exploit the many.

First of all, let me say that in our judgment this resolution which the chairman has introduced is a most important resolution and we congratulate you on your foresight in attacking this part of this problem of beef prices as you have, this whole general field of beef pricing and agricultural income. With the State you do come from it is obvious you would have that. We think you have made a significant contribution to solving probably the most vexing problem we have in this whole field of agricultural income.

Secondly, let me say that, without getting into the discussion of the disparity between farm income and retail prices, because of the most excellent way that the previous witness has covered this, in this regard we are very aware of what is happening here and that something obviously has to be done—if nothing else, an investigation that will let the public know what is going on.

Because I am convinced the public does not know what is happening not only in beef but in poultry, dairy products, especially the perishable items that go into our retail establishments where there are the

opportunities of buildup and then depressing prices or manipulation of prices.

We have heard what has happened to beef. I would simply say that in wheat we have seen a decline of 8 percent in the amount of the cost of wheat in a loaf of bread in the last 10 years and an increase of 60 percent in the price to the consumer.

We have seen in dairy products in the area that I am most familiar with, in the Federal Order No. 2, New York-New Jersey milkshed, a drop of 3 cents a quart I think it is to the producer in the last 10 years and an increase of 11 cents to the consumer.

And so the story goes on and on.

In almost every area of our agricultural income situation we have precisely these same problems.

People in New York cannot understand why milk goes up to them all the time and their first reaction is that the farmers must be getting rich. In reality the price to the farmer goes down, and his cost of production continually increases.

These are the real problems that face American farmers, and they are the problems within our province to solve, and we must obviously solve them or we are going to be in increasing difficulty as the results of the efficiency of the American farmer are not transferred either to the consumer or to the producer.

Now, because of the questions that have been raised concerning this kind of legislation, let me direct part of the testimony I want to lift out of what has been filed with the clerk to the first question that you raised with the Senator after his testimony. That is this whole area of concentration of the distributive and productive powers in such a few hands that they are able to either singularly or collectively significantly influence the market.

To do that I would like to impose upon you a little bit to remind you and the committee of some of the long history of the National Grange. Because 3 years from now we will celebrate our 100th anniversary.

Ninety years of our history has been spent fighting precisely the fight that we are engaged in today, beginning with the fight with the railroad monopolies back in the early 1870's. I think that probably because of this fight that we waged and which we waged successfully, American history was significantly changed.

But in this instance, as in many others, a victory on a battlefield does not win a war. We have to fight this over and over, year after year—this problem of preventing the concentration of wealth in the hands of a few people.

Back in the 1870's there was this concentration on the part of the railroads, and when the first attempts were made to regulate the railroads we got this hue and cry that this was infringing upon the right of a capitalistic society and that we would destroy our capitalism by so preceeding.

I want to just lift out of the testimony and read a quotation from "The Nation" in 1873 when they were talking about the demonstrations that were going on in the Midwest concerning the monopolies

that were squeezing their life out at that time. They said that these protests—

constitute, in fact, an earnest, though almost inarticulate, protest against the whole present organization of the railroad system of the country—a protest the more dangerous because both unintelligent and angry.

You can put "beef industry" in place of "railroads," and this reads pretty well for 1964.

But it still brings forward into clear strong light what must inevitably prove one of the momentous questions of the future. In its essence, that which the farmers demand is just. They ask for an access to the market that shall combine the three elements of certainty, economy, and impartiality. All of these are reasonable demands * * *.

Then they go on to say they cannot get them because competition has broken down.

Now, just quickly, historically there were two answers given to this problem at that time, and they are still being given today as though there are only two answers, and this is the mistake I think that we are apt to make.

The first was that the railroads be allowed to continue the practices that they were following because this is the only way they could get enough capital to build the railroads and to expand the transportation system.

The second suggestion was made, very seriously, that we build a national railroad from Omaha to New York City—a two-way railroad, incidentally—to carry the farm foodstuffs into the major market. This is socialism in its pure sense. This is Government ownership which is truly socialism.

And it was part of the Granger movement history and the action of the National Grange in 1874 in St. Louis that pointed the way away from either of these alternatives to a middle course which has been the path that American economic development has followed that has made us this tremendously important, economically sound country that we have.

Now, what we said at that time we continued without any change. This declaration of purposes has not been changed in 90 years except one time they did take out reference to the 19th century and later on they put it back in as a kind of memorial to what has been made. And on page 3 I want to lift some of these statements out:

We wage no aggressive warfare against any other interests whatever. On the contrary, all our acts and all our efforts, so far as business is concerned are not only for the benefit of the producer and consumer, but also for all other interests that tend to bring these two parties into speedy and economical contact.

We are not enemies of railroads, navigable and irrigating canals, nor of any corporation that will advance our industrial interests, nor of any laboring classes.

In our noble order there is no communism, no agrarianism. We are opposed to such spirit and management of any corporation or enterprise as tends to oppress the people and rob them of their just profits. We are not enemies to capital, but we oppose the tyranny of monopolies. We long to see the antagonism between capital and labor removed by common consent, and by an

enlightened statesmanship worthy of the 19th century. We are opposed to excessive salaries, high rates of interest, and exorbitant profits in trade.

You will notice we did not say "profits," but we said "exorbitant profits."

They greatly increase our burdens, and do not bear a proper proportion to the profits of producers. We desire only self-protection, and the protection of every true interests of our land, by legitimate transactions, legitimate trade, and legitimate profits.

We desire a proper equality, equity, and fairness; protection for the weak; restraint upon the strong; in short, justly distributed burdens and justly distributed power. These are American ideas, the very essence of American independence, and to advocate the contrary is unworthy of the sons and daughters of an American republic.

This was written 90 years ago. We think that we are on pretty solid historical ground to reaffirm this position before this committee here today.

It was as the result of this, then, that America chose. And this is what some of the proponents of laissez faire capitalism, that are afraid of every adjustment that we make to our capitalistic system, do not understand. And it is what Karl Marx did not understand which caused him to miss his guess about what would happen in America.

We proposed to modify our capitalistic system to bring it within law for the protection of the people. And we did that in the Sherman antitrust law, which is one of the ways we can move into this particular problem. And, of course, in the railroads it was in the Interstate Commerce Commission.

We believe that this modification has been—and, incidentally, this is what Marx did not think was possible. He did not think capitalism could modify itself. But in America it did modify itself, and it did control itself from its excesses. Capitalism itself did not, but the Government did.

Now, in our estimation, the present situation concerning beef and most of the perishable commodities that are handled by our retail food stores is in such a position in terms of the concentration of economic power that if we do not have the laws on our books at the present time to allow us to control them, which would not only destroy the producer and work great hardship on the consumer but would inevitably in its long run destroy those who practice these monopolies too, then we must get those laws on our books to protect not only the producer and the consumer but capitalism from its own excesses.

It is in this area that communism has made its growth when they could point to the excesses of the unrestrained laissez faire type of capitalism.

Now, this does not meant socialism at all as somebody is going to howl just as sure as can be. Every time we try to do something of this kind we get this same result. This is far from socialism. Socialism is government ownership. Government control is not socialism.

This is the traditional practice of the American democracy, and it is this practice that has made us the kind of a nation we are.

I have said here once we have proven that government regulation can be used to increase competition, which is precisely what happens when monopolies are curtailed or properly regulated in the public interest.

We believe that it is the function of law, this type of law, within our capitalistic system, to increase or to protect competition.

May I say—and this is not a part of the testimony—that the committee might be interested in what the Department of Justice has been doing in this field for several years.

We have three major convictions of food handling chains for monopolistic practices. There is a great area of investigation going on in the milk industry at the present time. I have heard, although I cannot confirm this, there are more agents from the Antitrust Division engaged in investigation of monopolistic practices in the distribution of milk than in all the rest of the antitrust activities put together. This, if it is true, is a very serious indictment about the distribution policies concerning milk.

What we are saying, of course, as you gather, is that we are very much in favor of this Commission. We strongly support the adoption of this resolution. We are concerned with the composition of the Commission after it is established by law. We believe that the farmers are the most seriously affected and, therefore, that the agricultural producer should be pretty heavily represented on this Commission, both by Members of Congress and in the five members that would be appointed from the public at large.

We want to be sure that industry is represented not in such numbers that they can make the work of the Commission meaningless but with such talent, at least, that they can enable the Commission to go in the directions that will get the most beneficial results from the study.

I think with that statement I will close, except I want to remind you of this—last page, on page 10—of a quote from the Honorable George Aiken, the senior Senator from Vermont, in a speech that he made on the Senate floor on January 22 of this year, in which he said:

Our farmers deserve an income and standard of living fully comparable to that enjoyed by people in other lines of business. While they are still at the mercy of the weather, there is no reason why they should be at the mercy of price manipulators—national or international. Free enterprise should not be construed as licensing the few to exploit the many.

Senator McGEE. I thank you for your comments. The quotation that you have just cited by my colleague, Senator George Aiken of Vermont, once more points up the question that has been repeated here again and again. That is, In food marketing, has the law of supply and demand been repealed? And if it has been, who repealed it?

I think it states in a concise way the concern of this exploration.

I would like to turn for just a moment, if I may, Mr. Graham, to the composition of the Commission to which you just addressed yourself as you were concluding your remarks.

You expressed the judgment that on the membership of the Commission there should be direct representation of the producers and of the consumers and of the grocery chains I would assume you are referring to in your phrase?

Mr. GRAHAM. Yes.

Senator McGEE. In previous testimony here from Mrs. Esther Peterson, speaking in behalf of her role as Consumer Adviser to the President, she suggested that it would be difficult to get a meaningful assessment in broad perspective by putting the so-called litigants in this question on the Commission itself; that the Commission ought to be composed, she suggested, of people of high status in the public

confidence who were not integrally tied in to any of the facets of the production or sale of food.

Your suggestion stands in contrast to that, and I wondered whether you might spell it out a little more.

For example, as you compose your thoughts on that, would it be possible to make sure that we protect the producer's interest and protect the retail outlet interests with all the testimony they can supply to such a Commission without actually having them in membership on it?

Mr. GRAHAM. Well, I think it is possible. The realm of possibility is pretty broad. I think it is also possible to get from the people we have been talking about, men of the quality and the integrity that we need. They can be objective.

But, by the same token, we have had enough experience in this field that we are a little bit reluctant to leave all decisions that have to do with agricultural income to these so-called impartial Commissioners. I do not think I have to elaborate that very far.

Senator McGEE. Your view, if I may summarize it—and you correct me if I do it an injustice—is that excessive practices among the selfish or those that do not keep a broad enough view can, in fact, destroy our concept of industrial capitalism. And therefore, approaches such as this which can actually strengthen the structure and the fiber of our capitalistic economy are important? Now does that fairly state what you are suggesting as the aim of the Grange?

Mr. GRAHAM. This is an historical fact in America. At the time that other countries of the world, especially in Europe, bore a terrific attack from what was called communism, not the bolshevism today as we know it, but the Jacobin type of socialism (it is interesting to note that Marx's "Das Kapital" came almost at this time, and the Communist Manifesto was contemporary to the events we are talking about back in the 1870's), and while the countries of Europe and their economies were severely shaken up and some of them forced into a type of fascism, or an extreme type of monarchical control, that America freed itself of the extremes of the capitalistic system and the benefits of our American capitalism then accrued to the account of all the people.

And I think it is directly the result of this that America today has this highest standard of living, the greatest distribution of wealth of any country in the world.

And this is what we must protect. Historically, I do not think there is any argument about this.

We get a lot of distortion of this, and people say, "What we need to do is go back to the old American free enterprise system." God help us if we go back to the free enterprise system of the 1860's and early 1870's. This is the last thing I want to do. But I do not want to go toward socialism.

Very few people, I think, understand that America has chosen, and it has made us the kind of country we are, a controlled capitalism that prevents capitalism from destroying itself and everybody around it.

Senator McGEE. Some have described it as a "people's capitalism." Almost every American has become an individual capitalist.

Mr. GRAHAM. This is exactly right. And it is because we have opposed this concentration of wealth and concentration of economic power in the hands of a few that we have been able to do this. We

have not done as good a job as we should part of the time, but our course has been pretty steady and pretty well defined, and I do not think we need to change it in order to accomplish the purposes for which this Commission is to be composed.

Senator McGEE. And in the light of that I would hope that you would be willing for the purposes of your statement here this morning to amend the one passage from the declaration of purpose of the National Grange on page 3 in which that purpose refers to the enlightened statesmanship worthy of the 19th century, and I hope that you might be willing to think of the enlightened statesmanship worthy of the 20th century.

There are those that campaign on the slogan as written in the original declaration, but I would like to keep it in the present century if we can.

Mr. GRAHAM. I think I know probably what you are referring to. Our reluctance to change the wording should not be interpreted as a reluctance to change the type of application. We have left this wording as it was as a memorial to men who wrote a really significant document.

But we believe that the 20th century is what we are working in today. We must live in the 20th century and apply these principles to its problems.

Senator McGEE. You are proposing to go back to Adam Smith? [Laughter.]

Mr. GRAHAM. I am not going back to there. As far as I am concerned, I think Adam Smith was properly left behind by many people many years ago. I prefer the American type of capitalism to the type of capitalism that Adam Smith was talking to.

Senator McGEE. I suppose you would agree too it is conceivable that in some of the operations right now among the food chains that it may be that no laws, no existing laws, are actually being violated? That is conceivable?

Mr. GRAHAM. This is what we say in the statement.

Senator McGEE. Yes.

Mr. GRAHAM. We should look carefully at this to see if we need new legislation. We do not believe you have to pass a law about everything. Let's see if our present laws will cover this. If they will not, then let's get the laws that are necessary.

This I think is one of the functions of the Commission. And at this point it probably needs somebody and his staff that can enable them to go further than what maybe the concept is now, that can also evaluate present laws and be able to advise the Congress about the necessity of laws or the places where laws seem to be necessary.

Senator McGEE. Well, those are all the questions I have, Mr. Graham, and I want to thank you again for your representation of the position of the National Grange. It has been very helpful to the committee.

Mr. GRAHAM. Well, we thank you for the opportunity of coming.

Senator McGEE. The next witness is Mr. Kenneth Naden.

In view of the short time remaining Mr. Naden, I wonder if you might be willing to file your statement in full as though read for the record and then highlight it for our benefit here in any way you see fit?

**STATEMENT OF KENNETH D. NADEN, EXECUTIVE VICE PRESIDENT,
NATIONAL COUNCIL OF FARMER COOPERATIVES**

Mr. NADEN. Yes, sir, Mr. Chairman. I will be glad to do that. I recognize the time schedule is a tight one. I think the best way to do that will be to read along and read certain paragraphs and direct your attention to certain subheadings which I can give you.

Senator McGEE. Very well.

Mr. NADEN. I am Kenneth D. Naden, executive vice president of the National Council of Farmer Cooperatives. The National Council is a nationwide federation of farmers' business associations engaged in the marketing of agricultural commodities or the purchasing of farm production supplies or both and of State cooperative councils. The membership includes many of the federated and regional farmer cooperatives of the country. The organizations making up the council are owned and controlled by farmers as the marketing and purchasing departments of their farm business operations.

The National Council's primary objective is to create and maintain an economic climate in which the individual agricultural producer can operate efficiently and can earn income for his efforts and capital investment commensurate with the income earned by like management, labor skills, and investments of other business segments of the economy. We believe that the great difference in organization and structure of the agricultural segment as compared to that of the industrial, distribution, and labor segments of our economy are severely impairing if not preventing farmers' opportunity to achieve this objective. This is especially true if farmers follow the route of individualism in economic affairs as compared to cooperative action. Therefore, we have a strong interest in objective determination and evaluation of the facts about trends in market structure. A National Commission such as this has special relevance to the role of group action by farmers in achieving some influence in markets that affect farm income.

The attitude of the membership of the National Council of Farmer Cooperatives with regard to this subject is expressed in the following policy statement adopted at the 1964 annual meeting:

ECONOMIC DEVELOPMENT AND FARMERS

Farmers are important contributors to the rapid economic development experienced in the United States. Efficiency in productivity has increased in the last decade about three times faster in agriculture than in industry on a per-worker basis and most of the benefits of the efficiency in agriculture has been passed along to consumers. Farmers are at the same time victims of this process in that they cannot adjust to economic changes rapidly and do not have as effective means as others for raising their income. One of the most important questions of our times is: "How can farmer contribute to national economic growth yet not be penalized in income when doing so?"

This subject requires intensive and penetrating study. We support legislation and/or administrative action leading to objective investigations, on a non-partisan basis, of the direct and indirect effect of national economic development on farmers. Such an investigation should include but not be limited to the effect of economic development on farm income, on farm prices, farm output, and on distribution of national income. It should also include such closely related subjects as trade practices and buyer-seller relationships which have developed because of economic concentration in manufacturing, labor, and distribution. Such investigations would also make recommendations for the most appropriate and effective forms of adjustment to economic development which

farmers can make while maintaining individual enterprise status of the family-operated farm.—Adopted 1964.

We strongly support the establishment of a National Commission on Food Marketing as proposed in the bill Senate Joint Resolution 71 for reasons to be given below, and urge this committee and the Congress to activate it at once.

BROAD OBJECTIVES SOUGHT

Much public discussion of this bill has centered on the price spread for farm food products. It would be a serious mistake to confine the attention of this Commission to the price spread, however important that is, or to any particular prices. The more significant feature of the area of prices is the effect of changing market structure on the pricemaking system. Particular prices are only the result of economic forces existing.

In our view, the principal objective of this Commission should be to analyze and report to the public, the reasons for and the consequences of the present kind of market organization and structure we have in the food industry in the United States. Much is already known about the causes of changing market structure but less about the effects on these changes. The Commission should look closely at the consequences of present and prospective market structure for the general public, for processors, for wholesalers, and for retailers. It should focus especially on the effects on farmers, since they are the group whose position and income is the weakest.

Lastly, the objective of this investigation should be to develop sound public policy in this field. This means action programs, both with and without Government help, which will be effective in correcting the farmers' weak market position.

The Commission should include in the scope of its investigation all channels of the food distribution process from producer to consumer and their relation to prices. Careful analysis of marketing services rendered, pricing and buying practices, physical distribution problems, and all other phases of the marketing process should be made at all points of collection, warehousing, processing, wholesaling, and retailing. Bargaining and market power and its effects on farm income and consumer prices should be assessed—not only at the super-market level but all along the line.

In many ways, the objectives of this Commission would be similar to those of the Temporary National Economic Committee activated by the 75th Congress in 1938. It was created to determine the relationship, if any, between concentration of economic power and industrial unemployment. Under its auspices, significant pioneering studies into the structure of the American economy were made. That investigation into economic concentration and economic power was abortive because of circumstances. World War II eliminated the unemployment problem so the reasons for establishing the Committee appeared to be eliminated. It served a useful purpose of education of the public, but did not directly result in legislation or in specific recommendations for action. It left only a feeling of vague uneasiness about what was going on. We hope this Commission will come to grips with realities—not the illusions—about market power and will expose these realities fully. If it does this, a great step will be taken toward educat-

ing farmers and the public about the world they live in. Such education will accelerate appropriate and profitable adjustment by farmers to the system.

AREAS OF INVESTIGATION

As we stated earlier, we believe that the Commission should probe deeply into the causes and consequences of the present inequality in market power between agriculture and other segments of the economy. The five objectives assigned the Commission by Senate Joint Resolution 71 appear to us to be penetrating and comprehensive enough to do the job required. However, we would like to discuss some specific questions about the nature of our food marketing system which would be encompassed in the work of the Commission:

1. What is the effect of present oligopoly market structure on the pricemaking system in wholesale and retail markets for farm food products?

The first and foremost effect of control by a very few firms of sales of a product in one market is administered pricing. It is understood that this term does not mean or imply any illegal or improper action by any firm or industry. Administered pricing is an inevitable result of the existence of markets dominated by large-scale firms and therefore of our industrial type of society. When coupled with output control, administered pricing usually means—

(a) Ability to pass along costs; or pricing deliberately in close relationship to costs rather than involuntarily as a result of the free play of supply-and-demand forces. This can have an important bearing on the price spread for food and helps to explain the cause-and-effect relationship between rising food marketing costs and falling farm prices.

U.S. Department of Agriculture data show that the farm-retail price spread has risen uninterruptedly for the past 10 years. The extent of this rise has been 2 to 3 percent per year. The major cause was quite clear—rising costs of labor, occupancy, materials, taxes, et cetera, which could not be fully offset by increased productivity and efficiency.

Many examples of these rising costs can be cited. For example, on the basis of a 1957–59 index of 100, the prices of supplies, services, and equipment bought by marketing firms during the 10 years 1953–62 rose from 89 to 104. The average hourly earnings of employees in firms marketing food, tobacco, and related products rose from \$1.11 per hour in 1947–49 to \$2.08 in 1962. The rise in taxes for food marketing firms should not be overlooked. Between 1947–49 and 1960, taxes paid for food marketing firms doubled from about \$1 billion per year to \$2,017,700,000. In its report in January 1964, on taxes paid by food marketing firms, the U.S. Department of Agriculture stated:

Food marketing firms paid about \$2 billion in taxes in 1960. Taxes amounted to 5 percent of the \$40 billion marketing bill for the year * * *. Processors paid 63 percent of the taxes levied on food firms, wholesalers 9 percent, and retailers 28 percent.

The increase in farm-retail price spread is a classic example of the passthrough or passalong system for costs which is an outstanding characteristic of administered prices. The critical question in the food industry is "Pass along to whom?" The two options are to consumers and to farmers.

The allocation of these costs between farmers and consumers may not be precise at any one time, but we believe the longrun answer is intimately related to the chronic buyers' market environment for farm food products which has existed since World War II, except for 1 or 2 years. Farmers are sellers and are so weak in market influence they cannot resist the downward pressure of rising marketing costs. This system with administered prices in one sector and free market prices in another serves to make the free sector the residual recipient of income. Hence, we believe there is a relationship between rising marketing costs and falling farm prices.

The influence of oversupply or production with regard for demand must, of course, be considered here in appraising a buyers' market environment. A buyers' market would exist for most farm products even if supermarkets and large-scale processors and retailers did not exist. The burden of oversupply alone could be tolerated, however. It is the additional downward pressure on prices and the additional burden of costs that exist by reason of large-scale buyers that makes the situation so acute.

(b) Administered prices mean a drastic departure from the free market system. Under present oligopoly structure, most nonagricultural markets are not free of supply control. In contrast, most agricultural markets are free of fully effective supply control. This is a highly crucial point in the comparison of the structure of agriculture and the structure of nonagriculture. It spotlights the myth that the "free market" in agriculture is the same as the "free market" in industry and labor.

This comment that the "free market" does not exist in its pure classical form in our food processing and retail industries does not mean that large-scale firms have "repealed" the law of supply and demand. We simply mean that this kind of structure usually gives ability to control the factors influencing supply and demand in such a way that the desired or administered price is created. The following comment by Dr. E. G. Nourse, former Chairman, Council of Economic Advisers, is most meaningful on this point:

Makers of administered prices are not emancipated from the basic laws of supply and demand as expressed in the market. * * * It is the distinctive feature of the administered price phenomenon that the large-unit executive can significantly influence the volume of market supply and also the character of the available product and attendant services. Clad with these powers, he is in a position to adopt and implement a price policy.

2. What is the effect of the supermarket system of distribution on the pricemaking system?

The supermarket system of one-stop shopping with its 6,000 items practically eliminates the free-market, retail price-setting process for individual products. The reason is because customers at retail supermarkets are not guided in their purchases solely or even largely by the prices of individual products. We can have broilers or any other product at 29 cents in one store and the same product at 45 cents in another store a few blocks away on the same day. This violates one of the most basic laws of competitive markets, which is that the same product shall have the same price in the same market in the same day. The reason these widely different prices can exist is that consumers buy an aggregate of goods—a market basket. As a result, they do

not compare or act on price differences for the same item in two different outlets.

This great change which has occurred by reason of the sale of an aggregate of products means that any fixed relationship between wholesale and retail prices or any fixed relationship between farm prices and retail prices cannot be expected to exist for a particular product at any particular time. This pricing flexibility has great repercussions on suppliers, whether they be processors or farmers because they usually deal in only one or a few products with limited pricing alternatives. One type of result is the so-called loss-leader pricing. This can have a different effect on suppliers of coffee with a firm market as compared to suppliers of broilers with a soft market. The significance of this situation for the kind of competition existing should be explored.

3. What effect do certain trade practices of large-scale retailers have on farm income?

One trade practice which has received much attention by retailers and by processors is the growth of the retailer label program. Super-market retailers have used their own distributor label program as a method of product differentiation and of tying customers closer to their own outlets. The broad effects of distributor label programs on advertising costs, on competition, and on marketing margins in the bakery industry have recently been explored by research at the USDA and the University of Nebraska. These studies indicate the distributor label program may have raised some marketing and promotion costs and changed the status of some bakers into contract producers. The next step is the impact on farm income. If the distributor label program has an effect on farm income—favorable or unfavorable—it should be examined and reported.

4. What is the effect of present market structure of the food industry on farmers' independence?

We think that this question far overshadows any other question listed above or listed in the bill in its significance for farm income or for the kind of society we want to have. The demands of today's market make coordination of production, processing, and retailing necessary. This coordination must be done by some element, with or without vertical integration or ownership. Much coordination is being done by retailers under the name of specification buying.

As processors and retailers seek closer control over the products they buy, they use contracts and direct production activities such as cattlefeeding, fruitgrowing, and egg production. The ultimate outcome of this trend definitely threatens farmers' independence. We read the present signs as ominous. Farmers' independence is quite important to the Nation. Trends now in operation will have to be countered or stopped or many more farmers will become contract producers rather than flexible independent business firms with maximum opportunity for profit from their business operations. More and more farmers are being excluded from the profit opportunities in their own farm business operations.

The quotation from the testimony of Assistant Secretary of Agriculture George Mehren on October 29, 1963, before the House Agriculture Committee is particularly pertinent:

Carried to a distant and perhaps never to be realized but still logical extreme, present trends could well mean that competitive independence may one day be

restricted basically to the retailing segment, and such competitive independence may be greatly different from that which prevails today. Processors, and perhaps producers, might well be required effectively to operate as if they were integral parts of the operation of their customers.

The greatest benefit of this study will come from an objective, honest look at where present trends are taking us. This may take courage because such a look may result in criticism of the magnificent performance by the entire food industry. But we have the right to hear what kind of an economy we have and to try to shape it to desired goals.

EQUITY AND EFFICIENCY AS NATIONAL GOALS

To a great extent, the investigation of market structure we are supporting must unavoidably give much attention to the issues of equity and efficiency as national goals. It can be stated accurately that the present state of development of our economy and the present standard of living are largely the result of aggressive pursuit of efficiency by business firms. Large-scale organization gives more efficiency in many ways and yields an economy which is flexible in its adjustment to changing consumer wants and demands.

Therefore, there will be many who will resist any change in the status quo. They will argue that the present system has an outstanding record and that any major changes in the rules of the game will be made at some cost in efficiency and national economic growth. This may well be true, although we cannot tell in advance. We should strive for improvements in equity along with improvements in efficiency.

Economic development is an exceedingly complex phenomenon about which little is known. But more importantly, the very existence of inequality in market power between various segments of the economy raises questions about equity. Satisfaction of the demands for equity might well be equated with satisfaction of the demands for efficiency. Efficiency is not the summum bonum to be pursued at the expense of or without regard for other values in our society.

A most significant statement on this point was made recently by Dr. Peairs C. Wilson, director, Kansas State Experiment Station. He said:

We need to know much more about the relationship between agriculture and the urban industrial society * * * let's face it, we can't have our cake and eat it, too. We can't take the advantage of science and technology and ignore the disadvantages. We can't embrace the benefits and hope that the problems will go away because they won't. Perhaps we should ask ourselves not "where's science and technology taking us," but "where are we going to take science and technology." Science and technology are the tools of man, not the masters.

Every important and significant issue in our society represents a conflict of values. We believe that one reason for widespread support for this bill is that many persons believe that society should proceed more deliberately by discovering and announcing the end results of present trends in market structure. We can then, by open debate and the political process, decide whether or not and by what means we should seek more equity in economic affairs.

We appreciate the opportunity to express these views.

The policy statement in my statement contains the essence of our views, and the remainder of the statement, Mr. Chairman, is in essence an elaboration and an explanation of that policy statement.

I will turn over to page 3 now, if I may, and read one paragraph.

In many ways, the objectives of this Commission would be similar to those of the Temporary National Economic Committee activated by the 75th Congress in 1938. It was created to determine the relationship if any, between concentration of economic power and industrial unemployment. Under its auspices, significant pioneering studies into the structure of the American economy were made. That investigation into economic concentration and economic power was abortive because of circumstances. World War II eliminated the unemployment problem so the reasons for establishing the committee appeared to be eliminated.

It served a useful purpose of education of the public but did not directly result in legislation or in specific recommendations for action. It left only a feeling of vague uneasiness about what was going on.

We hope this Commission will come to grips with realities—not the illusions—about market power and will expose these realities fully. If it does this, a great step will be taken toward educating farmers and the public about the world they live in. Such education will accelerate appropriate and profitable adjustment by farmers to the system.

Senator McGEE. May I observe that if this study is terminated in the same way as the TNEC study was terminated, we may have no more worries.

Mr. NADEN. We may have no worries on that account, but it would be tragedy if it did.

Senator McGEE. I should add to and perhaps amend your one generalization there that even with its incomplete nature the TNEC studies still contain a vast reservoir of very pertinent information that has served as background for guidelines that have been drawn since, even though it directly resulted in no specific legislation.

Mr. NADEN. That is absolutely right.

Senator McGEE. It has indirectly produced legislation that has been helpful in strengthening the enterprise system.

Mr. NADEN. Yes. That is exactly correct, Mr. Chairman.

There was a vast amount of information collected for the first time because attention was directed to the subject for the first time. There was a great public need for it, and there was interest in it and a genuine concern with trying to find this relationship.

Now, on page 4 I will just read the first question which I suggest as an elaboration and one of the objectives of the Commission. It would be to ask and find out what is the effect of present oligopoly market structure on the pricemaking system in wholesale and retail markets for farm food products.

And the reason for placing emphasis on that question is our view that the effect of market structure on the pricemaking system is much more important than the effect of structure on any particular prices.

This is broader and would encompass the other in its other form, and we believe that if a study of administered pricing and the factors behind administered pricing is gone into that it will result in a more thorough explanation of the price spread and what are the factors of the cost in the price spread and what its effect on farmers and farm income is.

Senator McGEE. As you say, it is understood it does not imply or mean any illegal or improper action.

Mr. NADEN. That is correct.

Senator McGEE. It is conceivable it might suggest, depending upon what the facts show, the need for legislation.

Mr. NADEN. It may. Exactly.

Now, turning over to the bottom of page 6, a second question we would ask which is elaboration of this statement is: What is the effect of the supermarket system of distribution on the pricemaking system?

Here we get into a subject, Mr. Chairman, which you have mentioned before, which is only vaguely understood, in my opinion, and that is that the creation of the supermarket method of retailing, with its 6,000 or so items at one store, greatly changes the pricemaking system at retail.

In fact, we can even go so far as to say that there hardly exists a pricemaking mechanism at retail for individual products. There exists a pricemaking mechanism for an aggregate of products for the whole market basket which each consumer buys.

In the middle of page 7, I say this great change which has occurred by reason of the sale of an aggregate of products means that any fixed relationship between wholesale and retail prices or any fixed relationship between farm prices and retail prices cannot be expected to exist for a particular product at any particular time. This pricing flexibility has great repercussions on suppliers, whether they be processors or farmers, because they usually deal in only one or a few products with limited pricing alternatives. One type of result is the so-called loss-leader pricing.

This can have a different effect on suppliers of coffee, for example, which usually have a firm market, as compared to suppliers of broilers, which usually have a soft market.

The significance of this situation for the kind of competition existing should be explored.

Senator McGEE. Yes, I think this holds one of the most significant, if little understood, ramifications of the marketing structure at the present time.

Mr. NADEN. Yes.

Senator McGEE. Due to the phenomenal rise of the supermarket system. This is one of the areas which will be least understood publicly and the most difficult to convey in understandable language, I suspect, and yet within it probably will be found a great many of the answers that the questions raised require.

Mr. NADEN. I think there is no question about it.

Senator McGEE. The marketing position of a supermarket that handles several thousand items is very different than that we have usually thought of in the laws of supply and demand. I think the illustration that you referred to above, the paragraph that you just read, is a good one. Competing stores in the same general area are not going to lose customers if one offers broilers, let's say, as your illustration goes, at 29 cents in one store that day, whereas the rival store may offer the same broilers at 45 cents. As long as they cut something else to bring the housewife in, she is going to go out with a market basket full.

Mr. NADEN. That is right.

Senator McGEE. And, therefore, the chain operation in that case can still make it a profitable weekend, regardless of the loss leader, by making it up elsewhere.

However, the fellow that produced the broilers that enabled them to sell them at 29 cents has only the one market for what he produces.

Mr. NADEN. That is right.

Senator McGEE. The relative economic impact is quite different on the producer in the one instance than on the seller in the other instance.

Mr. NADEN. That is correct.

Senator McGEE. The other aspect of this I alluded to earlier this morning with Senator Symington stems from the chains' bargaining position that may force the supermarket to deal more harshly and more closely with the individual food supplier, because it buys thousands of other items from other producers with more bargaining power. I mentioned General Foods, but suppose you take Lever Bros. in soap, or Procter & Gamble, or H. J. Heinz. These people are often in a position to maintain a firm price structure, and a supermarket may have a lesser relative bargaining power in relation to them.

Therefore, if their margin is small as they sell those particular articles, they are going to have to make it up somewhere else. And the fear has been expressed that they are making it up at the expense of the producer of soft food——

Mr. NADEN. Yes.

Senator McGEE (continuing). And perishable products.

And if this is the case, it requires very close examination and evaluation by this Commission.

Mr. NADEN. There is no question at all, Mr. Chairman, but what the producers of many manufactured food products have established brands for their products and have established what we would call a firm market, control over the amount which is put on the market, whereas producers of raw materials have soft or weak markets and they are in an entirely different position.

I read down at the bottom of page 7 another question which is suggestive of the area to be studied: What effect do certain trade practices of large-scale retailers have on farm income?

And here this question is related closely to question 2 and says that the retailer label program, which has a very substantial place in the profit position and the merchandising practices of the retailers, can have repercussions on suppliers and later on farm income. And it is our view if this distributor label program or other particular programs which are illustrative of trade practices have some effect on farm income, favorable or unfavorable, they should be examined and reported.

And the fourth question——

Senator McGEE. May I interject there that we have very many individual complaints on this score from various suppliers, and bakers are notable cases in point. Some of the meat producers, packers in special items are other cases in point.

Mr. NADEN. I have seen and know of studies by food retailers who can show on their own records that their distributor label program is a very fine program for their position. It helps to attract customers, and it helps to improve the profit position. But the impact on other people is what we think should be looked at.

Senator McGEE. The dairy industry with which I am familiar was directly affected, in fact, jeopardized, by exactly this practice.

Mr. NADEN. On page 8 I would like to read one paragraph.

Question No. 4: What is the effect of present market structure of the food industry on farmers' independence?

We think that this question far overshadows any other question listed above or listed in the bill in its significance for farm income or for the kind of society we want to have. The demands of today's market make coordination of production, processing, and retailing necessary. This coordination must be done by some element, with or without vertical integration or ownership.

Much coordination is being done by retailers under the name of specification buying.

As processors and retailers seek closer control over the products they buy, they use contracts and direct production activities such as cattle feeding, fruitgrowing, and egg production.

The ultimate outcome of this trend definitely threatens farmers' independence. We read the present signs as ominous. Farmers' independence is quite important to the Nation. Trends now in operation will have to be countered or stopped or many more farmers will become contract producers rather than flexible independent business firms with maximum opportunity for profit from their business operations. More and more farmers are being excluded from the profit opportunities in their own farm business operations.

The quotation from the testimony of Assistant Secretary of Agriculture George Mehren on October 29, 1963, before the House Agriculture Committee is particularly pertinent on this point:

Carried to a distant and perhaps never to be realized but still logical extreme, present trends could well mean that competitive independence may one day be restricted basically to the retailing segment, and such competitive independence may be greatly different from that which prevails today. Processors and perhaps producers might well be required effectively to operate as if they were integral parts of the operation of their customers.

The greatest benefit of this study will come from an objective, honest look at where present trends are taking us. This may take courage because such a look may result in criticism of the magnificent performance by the entire food industry. But we have a right to hear what kind of an economy we have and to try to shape it to desired goals.

Then, if time will permit, I will just read the last paragraph if I may.

To a great extent, the investigation of market structure we are supporting must unavoidably give much attention to the issues of equity and efficiency as national goals. It can be stated accurately that the present state of development of our economy and the present standard of living are largely the result of aggressive pursuit of efficiency by business firms. Large-scale organization gives more efficiency in many ways and yields an economy which is flexible in its adjustment to changing consumer wants and demands.

Therefore, there will be many who will resist any change in the status quo. They will argue that the present system has an outstanding record and that any major changes in the rules of the game will be made at some cost in efficiency and national economic growth. This may well be true, although we cannot tell in advance. We should strive for improvements in equity along with improvements in efficiency.

Economic development is an exceedingly complex phenomenon about which little is known. But more importantly, the very existence

of inequality in market power between various segments of the economy raises questions about equity. Satisfaction of the demands for equity might well be equated with satisfaction of the demands for efficiency. Efficiency is not the summum bonum to be pursued at the expense of or without regard for other values in our society.

A most significant statement on this point was made recently by Dr. Peairs C. Wilson, director, Kansas State Experiment Station. He said:

We need to know much more about the relationships between agriculture and the urban industrial society * * * let's face it, we can't have our cake and eat it too. We can't take the advantage of science and technology and ignore the disadvantages. We can't embrace the benefits and hope that the problems will go away because they won't. Perhaps we should ask ourselves not "where's science and technology taking us?" but "Where are we going to take science and technology?" Science and technology are the tools of man, not the masters.

Every important and significant issue in our society represents a conflict of values. We believe that one reason for widespread support for this bill is that many persons believe that society should proceed more deliberately by discovering and announcing the end results of present trends in market structure. We can then, by open debate and the political process, decide whether or not and by what means we should seek more equity in economic affairs.

Senator McGEE. I would like to highlight this concluding phase of your statement because I think it puts the finger on an often overlooked point in this whole story that requires the raising of many questions.

The tendency has been to measure everything in terms of statistics, in terms of efficiency. Now, if you carry efficiency to its ultimate, you would come to a world that would be run by one man and it would be a one-man dictatorship. Then we could cut out all the redtape, all the duplication, and we could save time by eliminating competition and just make these all-seeing decisions that would be for the benefit of all the people. That is where the efficiency argument ultimately carries us.

And so it depends on whose efficiency one is most concerned with and who is going to draw the line? And it is the drawing of that line that is creating a lot of the protests that we are hearing now among some groups.

As long as one group is on top and having it their way, that is the most successful system for the most people, but there are those that are beneath or those that are paying the consequences of this new type of efficiency who are in quite another position, and that is the reason that it behooves us in my judgment to give real heed to the wisdom of Dr. Wilson whom you just quoted; namely, the issue is not where is science and technology taking us, but where do we want to take it?

Mr. NADEN. A very pertinent statement.

Senator McGEE. People still must be paramount, and the well-being and best interests of people still must be the No. 1 priority.

The statement by Mr. Mehren that you quote at the top of page 9 has a very searching question in it. Do we really want a General Motors, let's say, in the food industry? I use that not disparagingly but only as an illustration, because we have seen what has happened in another area of our economy that was a source of a very careful congressional investigation 6 or 7 years ago.

We have got to ask those questions and answer them before the fact rather than after the fact if anything meaningful is to be done about it in time.

So you highlight here in a most effective and articulate way the kinds of searching questions that this proposed Commission ought to be raising and even the direction of the path along which they ought to explore for the answers.

Mr. NADEN. We are asking very significant questions, Mr. Chairman, some of which would almost frighten you if you were asked to answer them today. But we do not think that is possible. We think the combined judgment and the wisdom of the members of the Commission plus all of the information which they will have at their power to command will give them a better chance to answer these questions than we have today.

Senator McGEE. And the one attitude that exists in a few places that I think is deplorable is that because those questions are unpleasant questions they should not be raised, that if we just ignore them long enough they might go away.

Mr. NADEN. There is a great tendency to do that.

Senator McGEE. I think it is imperative, to go back to this paragraph in which you cite the importance of the Commission having, in effect, the fortitude to ask the right questions without being afraid of the right answers.

Mr. NADEN. That is correct. We hope they will have the integrity and they will have the reputation and they will have the ability to look fearlessly at what is going on and then make judgments on these questions which would be in the public interest.

Senator McGEE. Would you care to address yourself to the composition of the Commission, since that question has come up repeatedly?

Mr. NADEN. Yes, sir. I have heard it asked here in the testimony before and heard the answers of other witnesses. And we would hope certainly an important characteristic of all of the members of the Commission would be competence and knowledge, high professional competence in their field. Then they should certainly have high standing, such high standing that their recommendations will receive credibility and will receive acceptance by a broad part of the public and Congress and farmers and all the people involved.

In more direct response, I certainly believe that if we do not have direct agricultural representation as such we should have some people on it that certainly are fully knowledgeable about agriculture.

In other words, even a group of five of the very highest standing citizens of the country whose judgment on many matters is without peer and who would not be biased in any way certainly must be knowledgeable of what is going on in agriculture in order to ask the right questions in order to know whether they are getting answers to the questions they ask.

So I feel, therefore, that there should be some persons knowledgeable of agriculture. Beyond that, it is the high reputation of the individuals I think that is most important.

Senator McGEE. Would you address yourself to the even more specific question that has come up; namely, that such a Commission should directly represent the various segments of the food industry being studied?

Mr. NADEN. We have thought about that, Mr. Chairman, and we believe that would be unwise. We believe that to try to get persons on the Commission that are publicly recognized as spokesmen for that phase of the industry would create an almost impossible problem for the President or for anyone making the selection because there is no place to end.

Senator McGEE. In other words, it would raise the question then which segments would you include and which segments would you leave out?

Mr. NADEN. That is correct. It is almost impossible.

Senator McGEE. And then in their interplay this would impede the assessment of all the facts?

Mr. NADEN. That is correct. You get into very serious problems of the balancing of the voting, whether there is a 3-to-2 vote or a 4-to-1 vote and whose position is being represented. I think all five members should be of such a nature that they cannot be said to represent any particular segment as such.

Senator McGEE. I want to thank you very much, Mr. Naden, for your helpful testimony here this morning—

Mr. NADEN. You are very welcome.

Senator McGEE (continuing). And for the very sharp and straightforward nature of your presentation.

Mr. NADEN. Thank you, sir.

Senator McGEE. It has been most helpful to the committee.

I want to announce that the hearings will continue tomorrow and will begin at 9 a.m., instead of our customary 8:30 a.m. time, at which time we will hear the president and general manager of the Western States Meat Packers Association, Mr. Liljenquist, and Mr. Schachter, the vice president of the Amalgamated Meat Cutters & Butcher Workmen of North America.

I would also call to your attention that 1 week from tomorrow the spokesmen for the food chains will make their first appearance here. That is on April 30. The first testimony from the food chains will be taken by this committee then.

The committee will now stand in recess until tomorrow morning at 9 o'clock.

(Whereupon, at 10 a.m., the committee recessed, to be reconvened at 9 a.m., Thursday, April 23, 1964.)

STUDY OF FOOD MARKETING

THURSDAY, APRIL 23, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met, pursuant to recess, at 9:10 a.m., in room 5110, New Senate Office Building, Hon. Gale W. McGee presiding.

Senator McGEE. The committee sessions will resume in the hearings on Senate Joint Resolution 71 as amended by the proposal from the President of the United States.

The endorsements of the wisdom of the investigation continue to come in. Nearly all farm groups, ranching groups, and supplying groups have now gone on record. Others I understand are about to.

I hold in my hand this morning a letter from the commissioner of agriculture of the State of Wyoming, Mr. O. Henry Engendorff, and we will include it in its entirety in the record at this time.

STATE OF WYOMING,
DEPARTMENT OF AGRICULTURE,
Cheyenne, Wyo., April 21, 1964.

HON. GALE W. MCGEE,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR MCGEE: This is to advise that we have had an opportunity to study President Johnson's April 1, 1964, message to Congress pertaining to the establishment of a bipartisan commission to study and appraise the changes taking place in the American food industry.

We wish to advise that we endorse this proposal as we believe such a commission would help obtain some of the answers that are now needed in determining whether the agricultural producers are receiving a fair share of the consumer dollar.

We will appreciate your keeping us advised as to the status of this legislation.

Very truly yours,

O. HENRY ENGENDORFF,
Commissioner of Agriculture.

Senator McGEE. The first witness this morning is Mr. L. Blaine Liljenquist, president and general manager of the Western States Meat Packers Association.

Blaine, you proceed in any way you see fit.

STATEMENT OF L. BLAINE LILJENQUIST, PRESIDENT AND GENERAL MANAGER, WESTERN STATES MEAT PACKERS ASSOCIATION

Mr. LILJENQUIST. Thank you, Mr. Chairman.

I have served as president and general manager of the Western States Meat Packers Association since 1961 and have been on the staff since 1946.

Our association is an organization of independent packers located in 14 Western States.

We appreciate the invitation to express our comments here on the proposal contained in your resolution, Senate Joint Resolution 71, to authorize the establishment of a National Commission on Food Marketing to study the food industry from the farm to the consumer.

First, I would like to begin my comments by referring to the accomplishments achieved by the food industry at all levels of production, processing, and marketing in making an abundant supply of wholesome, nutritious, and tasty food available to the American people at low cost.

Americans spend a smaller percentage of their disposable income for food than any country in the world. Fifteen years ago we spent 26 percent of our income for food, which at that time was also the lowest in the world, but today we spend only 19 percent of our income for food, due to the increase in efficiency in the food industry and to our rising standard of living resulting from progress in all production, marketing, and service industries.

Under our competitive enterprise system, the United States with 6 percent of the world's people produces about 50 percent of the world's wealth. This is indeed a tribute to our economic system—operating on the basis of demand and supply, under a profit incentive, with a minimum of Government interference. This is the system that gets maximum results from our productive powers. This is the system that we believe works best for us. This is the system we should all strive to keep.

According to the Secretary of Agriculture, Mr. Freeman, the Russians spend half or more of their take-home pay for food, and the French and English 30 percent. At the same time, they receive diets less varied than ours. Therefore, we must conclude that competitive enterprise is doing a good job for America.

Meatpackers, meat processors, chainstores, and other retailers deserve special mention and credit for their ability to process and market a much larger volume of beef the past few years than previously. The number of cattle and calves on farms and in feedlots has risen 16.5 percent since 1958, increasing from 91 million head in 1958 to 106 million head in 1964.

The table below shows the increase per capita meat consumption and the decreases in the percent of income spent for meat for the period 1921-63:

Year	Beef (pounds)	Veal (pounds)	Lamb and mutton (pounds)	Pork (pounds)	Total (pounds)	Percent of income spent for meat
1921.....	55.5	7.6	6.1	64.8	134.0	6.7
1931.....	48.6	6.6	7.1	68.4	130.7	5.9
1941.....	60.9	7.6	6.8	68.4	143.7	4.9
1951.....	56.1	6.6	3.4	71.9	138.0	5.5
1961.....	88.0	5.7	5.1	62.2	161.0	4.7
1963.....	95.2	5.0	4.9	65.5	170.6	4.7

You will notice, Mr. Chairman, in the second column that the per capita consumption of beef has increased from 55 pounds in 1921 to 95 pounds in 1963, while consumption of veal, lamb, and pork has remained about the same. But due to the great increase in beef the

per capita consumption of all red meat has risen from 134 pounds in 1921 to 170 pounds in 1963, or 27 percent.

The percent of income spent for meat as shown in the column on the right-hand side of the table has been declining.

Thus, for a smaller percent of our income we are getting much more meat, and we are getting meat of much higher quality than at any time in our history.

At this point, Senator, I would like to comment just a little bit on the importance of keeping meat prices firm at retail.

I have heard some of the witnesses at these hearings say that prices of meat were too high at retail. I would like to say this: That meat under our competitive system competes with all other foods, and the price that the cattlemen receive for their livestock is set by the housewife by the price she is willing to pay for all of the meat that is marketed.

In other words, every animal for human consumption that comes to market is sold to the housewives, restaurants, or hotels and to some other buyers all who buy our meat. What these buyers are willing to pay for that meat determines the price that the cattlemen receive for their animals.

And since consumers can buy any other competing foods, the more they are willing to pay because of their demand for meat, the more the cattlemen will receive.

Under our capitalistic free enterprise system every segment of the industry is trying to buy their products for as little as they can and sell their products for all they can get. That is the profit incentive system which has given America its high standard of living. It is the very basis of our economic system.

So I think we should give great credit to the retailers for their help in marketing larger supplies of beef at prices which can reflect higher prices back to other segments of the industry.

Now, at times you may wonder, and we might all wonder, why the farmer does not always have a good price for his cattle. Historically, the livestock industry has been the brightest spot in our agricultural economy. It is the part that is not subsidized by the Government and has been left free to operate under demand and supply and has been the most successful segment of agriculture.

I think that if we continue to maintain our free enterprise system without too much interference from our Federal Government that we will have a much better opportunity to have all segments of the industry earning reasonable profits.

I think too that competitive enterprise is the system which will keep our number of farmers in balance. We started this country at the time of President Washington with about 90 percent of our people on farms. The increases in agricultural production that were obtained over the years permitted many of our people to leave the farms and go into cities and towns to work in industries and services.

Today we have only 8 percent of our people on farms compared with some other countries that still have 80 percent of the population on farms.

So I think demand and supply operating as it does will tend to encourage farmers who do not have economic sized units and cannot make a success on the land to move into the cities. I think we have too many farmers right now.

Senator McGEE. Do you think that supply and demand has now pretty much regulated a fair meat price for producers along the line?

Mr. LILJENQUIST. I would say that the principal problem facing livestock producers today is oversupply. We now have a supply situation in the industry where packers can keep up their volume of slaughter in their plants more easily than they can when cattle are scarce, and as a result they do not have to bid quite so high to get these cattle.

When supplies are short the packers make less profit because they bid up the price in an effort to keep up their volume, and their margin of profit narrows.

So when the farmer is in long supply, the packer can keep up his volume easier and probably have a wider margin. It operates that way, it seems, in our industry.

All segments of the industry are not always equally well off at the same time. However, it is in the interest of the packers to see that the producers get a price for their cattle and other livestock which will encourage them to continue to produce, and so it is important that all segments of the industry prosper together. And ordinarily they do prosper together. We have mutual interests, and we work together.

Senator McGEE. Your statement, Mr. Liljenquist, will appear in the record intact as though read. Were you concluding it at that point?

Mr. LILJENQUIST. No, I would like to make just an additional comment.

Senator McGEE. I did not mean to cut you off. The tone of your voice sounded very final. I did not mean to be abrupt on that at all, inasmuch as I had some other questions that I wanted to pursue with you.

Since I mentioned that you should proceed as your judgment seemed to indicate, you may read the rest of it——

Mr. LILJENQUIST. All right, if I may, please.

Senator McGEE (continuing). Or comment on it.

Mr. LILJENQUIST. I would like to read most of it.

Senator McGEE. Please do.

Mr. LILJENQUIST. Changes have been occurring faster in the food industry than we dreamed possible a few short years ago. Operations are being automated. New products, new methods, new ideas and new equipment distinguish our present age from the past as never before.

A comprehensive study of the food industry to determine what changes have occurred and how these changes have affected the various segments of the industry could be helpful if the study was properly conducted as an objective study by men qualified for the assignment.

We believe such a study should be completely free of politics and should be under the direction of a committee made up of private citizens outside of Congress or outside of Government.

We recommend that the President appoint a 15-man committee or commission from a list of persons nominated by food organizations to make the study. These men should have great understanding, knowledge, and experience in the food field. They should be men who have an unusually keen insight into agricultural and food problems without any "ax to grind." Such outstanding Americans, with staff assistance from the Government offices or from the Congress, or both, could best make the study, in our opinion.

We believe, Mr. Chairman, that there are many men in the United States, private citizens, who have had this broad experience in agriculture and who would be best qualified to conduct the study with the help of the various staffs perhaps of Congress and the Government agencies, possibly men of the caliber of Jesse Tapp, chairman of the board of Bank of America, men who are not necessarily right now engaged in the food field but men who have had this broad agricultural experience.

We think this study Commission could be one of the most important things that has happened to the food industry for many, many years, and, therefore, we certainly do recommend strongly that the Commission be named by the President from a list of men nominated by the food organizations who are best acquainted with leading Americans who are best qualified to make the study.

Senator McGEE. Let me raise a question on your paragraph of recommendation there, Blaine.

The President's proposal actually reads that he would appoint five Senators, five House Members, and five public members. And in the President's message he suggests that a combination of this sort would more adequately reflect the public interest and that they would hope to concentrate in staff, in witnesses, and in the reservoir of facts that would be tapped, the expertness of the various segments of the food industry, the packing industry, the feedlot operators, as well as the ranch operators and the farm groups themselves.

And as he expressed it, only in this way could we get a sufficiently sweeping and objective study.

Now, your suggestion would be that the President, in contrast, should appoint a 15-man committee from a list of persons nominated by the food organizations. By the "food organizations" you mean from the cattlemen up through the retailers?

Mr. LILJENQUIST. All segments. From the farm——

Senator McGEE. All segments of the food industry?

Mr. LILJENQUIST. To the consumer.

Senator McGEE. Now, suppose that the President's proposal were to prevail. Would your group consider that a completely improper way to approach the study of this question? Would you oppose the Commission as it is now envisioned by the President?

Mr. LILJENQUIST. Yes, sir, Senator McGee. We believe that if there are five Senators and five Members of the Congress on this Commission that it inevitably will become political to a certain extent regardless of the desires of these men.

I think that perhaps the Senators and Representatives too might not have the time.

But I do feel that it would be better to have a 15-man Commission made up completely of outstanding private citizens who have broad experience, and understanding, and knowledge in the food field.

Senator McGEE. Nominated by the food field?

Mr. LILJENQUIST. Nominated by them but selected by the President.

Senator McGEE. Nominated by the food field?

Mr. LILJENQUIST. By the food organizations.

Senator McGEE. But selected by the President?

Mr. LILJENQUIST. Selected by the President.

Senator McGEE. Are you familiar with a parallel, the TNEC—that is the Temporary National Economic Committee—created in 1938? This was a group that was commissioned to study the changing industrial complex of America in the light of widespread unemployment that characterized the 1930's.

This study was undertaken by the Congress, as most of these studies are, through the help of the particular agencies of the Government that are duly responsible to the people.

The parallel is often suggested that with the phenomenon of the supermarket and the emergence of entirely new concepts of marketing that did not before prevail that something of that magnitude was in order here and that the ramifications for the economy as a whole, for the consumer in particular, and for segments of our producing groups were of such a sweeping magnitude that it should be not narrowed by a single industry complex. Thus, the recommendation is, as it is expressed in the proposal, that it would be a far more encompassing study that would give us guidelines for the future.

It would occur to me in the recommendation that you have made here that at the very outset the selection of a panel of nongovernmental personnel nominated by the food industry would in itself delimit both the scope and capability of an exhaustive study of the implications and ramifications of the present economic consequences of this new phenomenon.

Most of those who have testified here, from whatever direction they have come or whatever philosophy they otherwise espoused, have generally expressed their feeling at least that without the investigatory and resource capability of the officially constituted arms of the representatives of the public interest, namely, the people and the Congress, that it would be difficult to get access to all of these things.

One of them suggested that a private civilian group would not have recourse to the customary powers of study, of investigation such as is done in the Federal Trade Commission or in the Antitrust Division or in the Marketing Service that already exist, and therefore would raise questions about the proposal to confine it to a totally nongovernmental group.

The history of this kind of study that has produced great action, as you know, in our country, history that goes back before the First World War, was dependent and productive in very large measure on the capability of these designated arms of government to at least instigate or channel or direct or motivate the approach that the President's proposal envisages. And that is the reason I press you more closely on the position of your group, the group for which you speak, that would confine it specifically to a nongovernmental list and to a list nominated by the group that is to be examined.

Mr. LILJENQUIST. Suppose, Senator, that the President, under legislation passed for this study, were to make the appointments from a list nominated by the food field. It would be quite possible to broaden the background of the members of the Commission or select people with varied background not only in food but in other industries by having perhaps a balance, maybe 8 or 10 with broad background experience in food and maybe 7 or 5 with background in other industries.

Now, of course, everybody is interested in food. And this study, I think, should be completely objective, and no one ought to be engaged

in making a study that has an ax to grind. And I think that that is the way in which we could best proceed through a commission composed completely of private citizens.

I do believe that when this Commission is appointed, if it is, that a commission of 15 private citizens, outstanding Americans, would have the confidence and have the stature, and, with the staffs furnished by Federal agencies or the Congress, or both, could obtain the information from the public that would be needed to determine what courses of action should follow this study.

I think that that would be useful. But I think it is extremely important that this thing be kept absolutely free from politics.

Senator McGEE. I would suggest to you, with all due respect, that as long as we are going to insist on this system that we call democracy, that its key operation is dependent upon the orderly processes of government.

Mr. LILJENQUIST. Yes, sir.

Senator McGEE. And I, as a spokesman espousing that cause, would have to flatly reject the concept that to have Members of the Congress on the bipartisan Commission, as the President has specified, would be an indulgence in an unfavorable type of politics.

Anything is politics in a democracy. Politics, as Thomas Jefferson said, is the heartbeat of democracy. The moment that you try to downgrade politics, at that moment you are downgrading the whole concept of government that we believe to be very fundamental.

I for one am not about to downgrade it.

For that reason, I would be compelled to reject the initial approach that to have the Congress participate in it would somehow prejudice the integrity of the Commission, the meaningfulness of the study, because of whatever you mean by your use of the word "politics."

I would rather subscribe to the philosophy of another great American, Charles Evans Hughes, when he said that unless and until we are willing to rally around the word "politics" and defend it and make it the highest procedure in our land, we are going to fall far short of our responsibilities as a free society.

I would call into serious question the innuendo of your proposal, a proposal which nonetheless will receive the very careful consideration of this committee in trying to arrive at its balanced judgment in regard to the President's specific recommendation.

The entire history of government in this country has been the history of the emergence of specific institutions, investigatory arms or commissions, whatever they may be, only after the private individuals, a few of them, displayed, through their selfishness, their unwillingness to honor the public interest.

This was the history of the 19th century as well as our own 20th century.

And, thus, the Federal Trade Commission, the Antitrust Division, the Marketing Service, the Interstate Commerce Commission, the Federal Communications Commission, and so on, came into being to serve the public interest.

I think the central question in this whole proposal of the President is the public interest. And in our system, until somebody changes the rules and philosophy of government, the public interest is very well served by those who are selected by the general public through the processes of ballots rather than bullets.

I could not let your suggestion go unnoticed in its indication that two arms of the Congress with both political parties represented on it be eliminated from this proposed study commission because of the innuendoes that you supply to the word "politics."

Mr. LILJENQUIST. Mr. Chairman, you have stated that very well, and I too believe that politics is a good word, and I am certainly in favor of politics being upgraded.

I think we have a wonderful Congress. I personally like the Senators and the Representatives. I think they are certainly working in the best interests of America. And I did not intend in any way to impinge or reflect adversely on the Congress.

I do think that this should be in the hands though of people who have had this broad experience in agriculture and in the food field. I think they would be best prepared to make the study from that knowledge and experience and understanding of the food field. And I feel that that would be the best course.

Now, Mr. Chairman, in conclusion I just wanted to refer to a problem relating to freight rates that has a bearing on our food industries and particularly on the meat industry. And that is this:

Historically, it was the policy of the Interstate Commerce Commission, supported by the livestock organizations and the Western States Meat Packers Association, that with respect to the regulation of freight rates by the Interstate Commerce Commission by the common carriers, the railroads, and the trucks, that the freight rates on livestock, on the one hand, and meat, on the other hand, be kept in balance so that either the live animals or the dressed meat and packinghouse products could move in the same direction competitively.

Now, that relationship did exist in our freight rates as approved by the Interstate Commerce Commission, but in the last 10 to 15 years that relationship, that ratio or balance, has been destroyed by the fact that there have been constant reductions in the meat rates without corresponding reductions in the livestock rates.

As a result, packers in Los Angeles can no longer bid on cattle in the Denver area, because that freight rate relationship has been changed. It is now much more favorable to slaughter the livestock in the Denver area and ship the meat to the west coast.

Now, when you have this situation existing in the various markets, we are limiting, or inequitable freight rates are limiting, the number of packers that can bid on livestock in a geographical area to local packers in this area, and that means less competition for livestock.

I think this was a factor in the decline in cattle prices last year.

I do believe that it would be helpful to the food industry as a whole if your committee could do a little checking on this freight rate situation and see if there is not something that could be done to restore the historical freight rate relationship so that raw products and finished on processed products can move competitively in the same direction.

Senator MCGEE. This study on rates, the discrepancy in rates, should be by a committee of the Congress?

Mr. LILJENQUIST. I would think that since it is a factor in competition that maybe this study commission should look into it if it is appointed, or maybe a special request by one of the Government committees, a request to the ICC, might be in order to see if there is not something that ought to be done in the public interest to keep this historical freight rate relationship in balance.

Senator McGEE. I suppose maybe a committee of cattlemen, packers, and the railroads could work out a solution to this same question.

I was just, with tongue in cheek, paralleling the suggestion you make for the study of the food industry. It depends on which foot the shoe is on I suspect as to which approach we use.

Mr. LILJENQUIST. We try to work out our problems as we can ourselves. But here is a problem that we have been working on for many years and it has gotten out of hand.

Senator McGEE. And as a last desperate recourse you finally resort to the committees of the Congress or the Federal Government to try to bring about a resolution. This is the history of all of them, of course.

Mr. LILJENQUIST. You see, we are not in our industry anti-Government. We work with Government on many things. And there are many areas where Government can be of great help to industry and business. We can work together on various things. And we are a friendly industry.

Senator McGEE. Well, we are a friendly Government.

I think the real point here, of course, is that there is too much of a tendency on the part of some to try to retreat to Government to bail them out of their own difficulties within an industry.

And I for one believe that there can be much greater efforts in the private sector among the differing groups to resolve their differences rather than to have the Government arbitrate for them.

But, nonetheless, there comes a time when the public interest in some areas is so momentous that somebody has to protect the general public. And Government has been constituted for that purpose.

So far there has been no reasonable substitute unless it is to lapse into a dictatorship. You see that is where it all breaks down. That is why we do have Government in some areas.

Mr. LILJENQUIST. We frequently contact the Congress when we feel that regulations need correction or where administration of regulations is not working in the public interest or in the interest of a segment of the industry.

And in this case, where it becomes cheaper as a result of rates set by Federal agencies for livestock to be slaughtered in the Middle West, for instance, hogs slaughtered in the Middle West rather than shipped to the east coast or the west coast as they have historically been shipped, there are changes, economic changes, resulting from these Government decisions on freight rates in this case which favorably affect some and adversely affect others.

We have to measure, I suppose, how they affect the overall interest most, the public interest.

But here is a problem which at least I would like to raise for the consideration of the committee.

Senator McGEE. Yes. I appreciate your raising that.

Before our time runs out—unless you have anything else you would like to add, Blaine—

Mr. LILJENQUIST. That is all.

Senator McGEE (continuing). We should move along here.

Mr. LILJENQUIST. Thank you.

Senator McGEE. I appreciate your taking the time to make your suggestion here this morning, and, even though it evokes disagreement from me, this is the thing that galvanizes thought on the pro-

posal that has been submitted to this committee, so that out of it we hope we can make wise decisions and arrive at wise conclusions.

We appreciate your forthrightness in suggesting it.

Mr. LILJENQUIST. Thank you, Senator. Those are my suggestions and the suggestions of my organization. They may not be the best ones, but they are the best we have at the moment.

Senator McGEE. Yes. Thank you very much.

The next witness is Mr. Leon B. Schachter, vice president of the Amalgamated Meat Cutters & Butcher Workmen of North America.

STATEMENT OF LEON B. SCHACHTER, VICE PRESIDENT AND DIRECTOR OF WASHINGTON OFFICE, AMALGAMATED MEAT CUTTERS & BUTCHER WORKMEN OF NORTH AMERICA (AFL-CIO); ACCOMPANIED BY ARNOLD MAYER, LEGISLATIVE CHAIRMAN; AND JAMES WISHART, RESEARCH DIRECTOR

Mr. SCHACHTER. Thank you.

I have with me Mr. Arnold Mayer, our legislative representative, and Mr. James Wishart, our research director.

Mr. Chairman, my name is Leon B. Schachter. I am a vice president and the director of the Washington office of the Amalgamated Meat Cutters & Butcher Workmen of North America (AFL-CIO).

The Amalgamated Meat Cutters & Butcher Workmen is a labor union with 375,000 members organized in about 450 local unions throughout the United States and Canada. The Meat Cutters and its local unions have contracts with thousands of employers in the meat, retail, poultry, egg, canning, leather, fish processing, fur, and agricultural industries.

Our members work on food products all the way from the farm to the supermarket. Some of our members are employed on corporation-type farms raising and harvesting food. Nearly 150,000 others work in food-processing plants turning the farm goods into food products. Nearly 200,000 other members work in supermarkets selling the food products to consumers.

A large majority of our members in both manufacturing and retail work on meat. But more than 100,000 of them are employed in a variety of other types of food processing or in grocery sections of supermarkets.

On behalf of our union, I want to thank the committee for coming here so early in the morning to permit us to present our views on the important legislation you are considering. We strongly support Senate Joint Resolution 71, which was introduced by the distinguished chairman, Senator Gale McGee.

We believe the establishment of a National Commission on Food Marketing to study the food industry from the farm to the consumer is both desirable and necessary.

Our support here is not based on any preconceptions of what conclusions are likely to emerge after 2 years of study by the Commission. It is based, rather, on our realization that complex and rapidly shifting relationships in the food industry—and in its meat sector particularly—are matters of deep concern to consumers, to farmers, to labor, and to management.

We all need to know the consequences of the massive changes which have been taking place in the industry's whole structure and function.

This is an industry whose total retail store sales to consumers amounted to an estimated \$64 billion in 1963. Total food expenditures take about 23 cents out of every consumer dollar. Overall, the food industry provides employment to 1.4 million workers in food stores, 1.7 million workers in eating and drinking places, 0.5 million workers in food wholesaling, 1.7 million in food processing, and 6 million farm workers and operators.

If workers employed in the transportation of food are added to the above totals, it can be estimated that more than 12 million of the Nation's current 68.8 million civilian jobs are in the food industry. More than 17 out of every 100 of the Nation's employed labor force are at work providing food and food services.

New trends or distortions of relations in this massive industry are, therefore, matters of great public interest. They affect every American consumer and a major sector of the entire economy.

Recent developments in the meat sector of the food industry have been subject to a great deal of attention in the past few months. This has been triggered by the sharp decline in prices received by farmers for livestock.

In the last quarter of 1962, choice steers had been selling for about \$30 per hundred pounds of live weight. By the first quarter of 1964, the same grade of beef cattle brought farmers only a little more than \$21 per 100 pounds. The result has been economic disaster to cattle raisers and cattle feeders all over the country.

Senator MCGEE. Let me interject there, while you are mentioning those figures, to say that since this hearing got underway one of our earlier witnesses has just sent in a bill of sale where he sold 60 head last week at \$19.

Mr. SCHACHTER. \$19?

Senator MCGEE. So it is still dropping.

Mr. SCHACHTER. It has meant that for some cattle feeders the price received for a fattened steer amounted to less than the price paid several months before for the same animal delivered lean from the range. Such losses have been intensified for farmers who have tended to hold and feed cattle for longer than usual periods in the vain hope of rising price trends for livestock. Similar, though less drastic, price declines have affected hog raisers.

Such massive price drops have inevitably created deep indignation among farmers and ranchers. This resentment has been intensified by the conviction that price savings in livestock purchases have brought no corresponding declines in the price tags of meat in self-service cases of retail supermarkets.

Between the fourth quarter of 1962 and the fourth quarter of 1963, the price of the live weight equivalent of 1 pound of choice beef—2.25 pounds—dropped by 11.6 cents. In other words, the farmer's share out of the retail sale of 1 pound of choice beef at retail fell from 55.3 cents to 43.7 cents. In that same period, however, the price paid by the consumer at the checkout counter for the pound of choice beef fell not 11.6 cents but 5.6 cents—from 85.6 cents to 80 cents a pound.

Out of every dollar saved in the purchase of cattle, 48 cents was passed on to consumers. The remaining 52 cents went to packers and food retailers. Out of this, the packer took 18 cents and the food retailer 34 cents.

The conclusion that has been often drawn from this set of facts is that the food retailer has been exercising strong marketing power to bring larger margins for himself at the expense of the farmer, consumer, and perhaps even the packer.

There is much evidence, in our opinion, to sustain such a conclusion. Formidable power in the markets for wholesale meats is now exercised both by food chains, with close to 50 percent of all grocery sales, and by independent operators, who exercise cooperative mass buying. Unquestionably, margins for retailers have improved.

We are not in a position to analyze specifically how such margins of return have been spent. It is our own first impression, however, that a good share of such gains have gone to meet the cost of intensified advertising and promotion. Sharpened competition among food retailers seems to have increased rather than decreased their total operating costs. This is an area which the Commission will undoubtedly want to study.

We offer our union's full cooperation in the studies which the Commission may want to undertake. We specifically want to be helpful if it should seek data on labor cost trends in the food retailing industry, the meatpacking industry, the poultry industry, the canning industry or any other food processing industry with which our union negotiates.

In meatpacking, the official figures show rapidly mounting worker productivity. Current meat production levels are 10 percent above 1956, while production worker employment has fallen 20 percent—from 188,000 workers in 1956 to a little more than 150,000 in 1963.

The official Bureau of Labor statistics figures show that labor costs per pound of meat declined from 3.54 cents a pound in 1958 to 3.17 cents in 1963. Our wage gains in the meatpacking industry have not kept pace with the increase in productivity. The real wage paid per pound of meat has fallen even more sharply.

Senator McGEE. Will you stop there just a moment to make certain we understand that correctly?

Now, in the gap that has been demonstrated on the charts submitted to this committee, where price of meat on the producers' end has been falling and the price to the consumer has been rising, it has been intimated from time to time that one of the reasons has been increased labor costs. This is a common suggestion that is made and one, as you intimate, that the Commission ought to study very closely.

You are suggesting here that when measured per pound of meat sold, because of mass production techniques, actually the labor cost in a pound of meat sold has continued to decline and has declined from 3.54 cents in 1958 to 3.17 in 1963?

Mr. SCHACHTER. That is right.

Senator McGEE. And that if the real wage was adjusted by Consumer Price Index that it would have fallen even more sharply?

Mr. SCHACHTER. That is correct.

Senator McGEE. So that labor costs have actually gone down in proportion to the volume of meat?

Mr. SCHACHTER. That is correct, Mr. Chairman. Labor cost per unit has gone down.

Senator McGEE. I wanted to make sure that was clear.

Mr. SCHACHTER. Yes, that is so. And also at retail. Labor costs in the retail food industry have also fallen steadily in recent years.

This is true even though the official figures appear to show a slight rise in food labor costs. In 1958, a total of 1,182,300 nonsupervisory workers were employed in the Nation's food stores. They sold \$52.325 billion worth of goods. By 1963, food store sales rose to \$64.275 billion, and the number of workers increased to only 1,313,400, or a rise of 11 percent.

Wage increases over the same years have brought hourly earnings to \$1.89 in 1963 as compared with \$1.59 in 1958. The wage bill in 1958 amounted to 6.78 cents per dollar of food sold. In 1963, the wage bill was 7.02 cents per dollar. If consumers had paid such an increase, the added cost at the checkout counter would have been two-tenths of a cent for each dollar of food sold.

In fact, no such increase in wage costs could or did take place. The official wage figures of 1958 do not present a complete or comparable picture because they fail to include the costs and the income of tens of thousands of storowners who have been squeezed out of the industry since 1958. According to estimates made by Progressive Grocer, the number of food stores in the United States in 1958 and in 1963 compared as follows:

	1963	1958	Change from 1958 to 1963
Independent grocers.....	210,000	280,000	-70,000
Chain grocers.....	21,000	18,800	+2,200
Specialty stores.....	90,000	88,000	+2,000
Total.....	321,000	386,800	-658,00

Senator McKEE. What are the specialty stores? You mean milk stores, meat markets?

Mr. SCHACHTER. Stores, such as those which sell delicatessen and other specialty items.

The total labor force in the food retail industry, including self-employed operators, was reduced at least by one for each of the small stores eliminated, or by a net total of 65,800. The work formerly done by the 65,800 owners for business income is now being done by workers who receive officially reported wage income.

If the cost of such work by these owners is figured into the 1958 wage bill at that year's wage rate, the actual 1958 labor cost must be increased by 5.6 percent. This calculation indicates that labor costs in 1958 actually amounted to at least 7.16 cents on the sales dollar as compared with 7.02 cents in 1963. In other words, comparable wage costs declined between 1958 and 1963.

Let me just say one other thing. The meat department of a retail store today consists of a little factory in the backroom and self-service in the front end. It no longer consists of the butcher waiting on each customer and accommodating her wishes and desires. It is a mechanized little factory working on a belt and bringing out the meat to the front. The work is very efficiently done.

Senator McGEE. In some instances, as I understand it, a good bit of this is even done in centrally located cities where it is then shipped out already wrapped.

Mr. SCHACHTER. Yes; in central cutting plants. The wholesale cuts are prepared in such plants.

Senator McGEE. Yes.

Mr. SCHACHTER. No total wage figures exist for analyzing the trend of labor costs in meat markets or in the meat departments of supermarkets alone. However, the experience of our union based on reports from hundreds of markets under union contract across the country is uniform: Everywhere, substantial wage gains made in Amalgamated retail contracts have been offset by the steadily rising productivity or, as the workers call it, the workload is increasing constantly in the shop.

For practical purposes, labor costs per dollar meat sales have been either held constant or slightly reduced over the whole span of recent years.

Reports from our local unions over the country indicate that most major food operators pay out between 6.5 cents and 8.5 cents of the meat sales dollar for wages. The same ratio has applied steadily over the past 5 or 6 years. Before that, it was higher. Before that, because of the use of service market rather than the self-service market, obviously the meat labor costs were higher.

Senator McGEE. Yes.

Mr. SCHACHTER. Wage levels for the skilled work done in the meat department are currently about \$2.60 an hour. The average wage cost ranges between 4.2 cents and 5.5 cents per pound of meat sold at retail, just as it has in the past. These union estimates are consistent with conclusions shown in the limited number of studies of meat retailing labor costs, including the Agricultural Marketing Service's 1956 study and the 1963 study by Leland Ott and Bruce Marion of Ohio State University's Department of Agricultural Economics.

We shall be ready to make detailed facts available on these and related matters for the benefit of any study the Commission may launch.

In conclusion, Mr. Chairman and members of the committee, we would like to reiterate that the Amalgamated Meat Cutters & Butcher Workmen (AFL-CIO) fully supports the objectives of Senate Joint Resolution 71. An examination into the rapidly evolving food industry will, at the very least, clear the air of the charges, countercharges, and confusion which has plagued the industry. More hopefully, it could provide the guidelines for the development of more equitable and rational economic relations among all segments in our vast complex of food industries.

May I add at this time, Mr. Chairman, we favor the Commission's makeup in the manner in which the chairman has described it and the President desires it. We feel that the makeup suggested by a witness today fails to take into consideration the consumer interest, the labor interest, and all other interests that would be necessary to make up this Commission if it is not to have an ax to grind. And who knows what ought to come out?

Senator McGEE. If they were not to have hamburger to grind? [Laughter.]

Mr. SCHACHTER. Maybe that is a better way to put it.

Mr. Chairman, we agree that it is needed. It will shed a lot of light on the entire series of problems. We would welcome the Commission. And we would be helpful as best we can to the Commission when it is set up.

Senator McGEE. We want to thank you for your contribution here, Mr. Schachter.

I would not want the suggestion that you have made to indicate that we think that those in the food industry are in any way taking the wrong attitude toward their own interests in what ought to be done. If they do not look after themselves, nobody else will.

But what your suggestion poses is: Who can best look after the public's interest, the consumer interests?

Mr. SCHACHTER. That is right.

Senator McGEE. We think that the food processors and suppliers and the food retailers all have a special interest of their own—that is why they are in the business—and that therefore they would have to focus on that. It is imperative that we take a much bigger view than even their expertness in the mechanics of marketing and processing would invite—that is, what are the consequences for the public interest as a whole?

Mr. SCHACHTER. I agree with you, Mr. Chairman.

Senator McGEE. Those are all the questions I think we will raise at this time. I would like to take you up on your offer when the Commission gets underway as to some of the additional details on labor costs, which is an interesting suggestion you made, because of the common indication that has been made to the committee that labor costs have been one of the real factors in the increase in some of the charges.

I think that what you have added here has been very helpful and revealing, and we will be back with you to tap your experience still further as we go into this in greater depth.

Mr. SCHACHTER. We will be glad to help in any way.

Senator McGEE. Thank you very much.

We have one more witness this morning that we would like to hear briefly.

This is Mr. Jack Toole from Shelby, Mont.

Mr. Toole, will you identify yourself fully for the record?

STATEMENT OF JACK C. TOOLE, SHELBY, MONT.

Mr. TOOLE. I am Jack C. Toole, of Shelby, Mont.

First of all, I want to say that I am delighted to see two western Senators heading this committee, because I think that it can have a real serious effect upon the livestock industry in the West.

I want to thank you for giving me the opportunity of appearing before this important committee to testify on behalf of Senate Joint Resolution 71.

I own and operate two cattle ranches, one in the Sweet Grass Hills in Montana and one at Swan Lake, Mont.

I am the past president and presently a director of the Montana Cattlemen's Association.

I do not claim to be an expert on this subject, but I try to make a living raising cattle.

There is more cattle rustling going on behind the meat counters of this country's chainstores than ever went on on the rangelands of the West. And I think I can prove it, and I think the situation merits careful scrutiny by the Congress of the United States.

Chainstores with their monopolistic practices are overcharging the consumer, underpaying the producer, underselling our beef products, and putting the small grocer out of business.

The unreasonable gap which exists between on-the-table and on-the-hoof prices of beef is obviously the direct result of the fact that a hundred chainstores are marketing 90 percent of the food to American consumers.

One of the big chainstores, Safeway, at a public cutout demonstration in San Francisco last October revealed the chain nets up to \$145 profit on every head of cattle handled.

For instance, on a 624-pound carcass, the chain admits a \$62.98 net return per 100 pounds, or \$392.99 per carcass. This same carcass was purchased from the packer for \$227.76.

So the gross profit was \$165.23.

These retailers selling beef at regular prices are grossing well over 50 percent profit on what the carcass costs them.

Meanwhile, Montana cattlemen lost a total of \$25 million, or an average of about \$35 a head, on cattle they sold in 1963 compared to 1962.

Yet the consumer still pays the 1962 price over the counter for the beef the chains are buying at low 1963 prices.

The fat cattle market is reflected in our feeder cattle prices. For instance, my Angus steer calves brought me \$36 a hundred in 1962 and \$30 a hundred in 1963, or a loss of \$6 a hundred or \$24 a head of calves sold.

I grow and sell Angus yearling heifers annually for restocking purposes, and my heifers brought \$235 a head in 1961, \$225 a head in 1962, and \$175 in 1963, for a loss of \$50 a head.

And if you think I am making money at those prices, just talk to my banker.

Similarly, in 1947 we were getting \$40 a hundred for our calves, and we were paying 90 cents a pound for round steak. Today calves are selling at \$30 a hundred and round steak sells at \$1.19 in the super-market stores.

For comparison, last night I checked the retail prices at Super Giant, Hillwood Avenue, Falls Church, Va. Here are their prices:

Sirloin steak, \$1.19.

Top rib, \$0.99.

Cube steak, \$1.29.

Round steak, \$1.19.

Steak roll—I do not know what that is; it could be a flank for all I know—\$1.29.

New York sirloin, bone rib, \$1.89.

Shoulder steak, \$0.69.

Ground chuck, \$0.69.

Chopped sirloin, \$1.09.

Tip roast, \$1.25.

Rump roast, \$1.19.

Rib roast, \$0.79.

Filet mignon, \$1.89.

And I never saw a butcher. I walked through all the other merchandise they had in the store to get to the meat counter which was right at the back of the store. You have to go there to get any meat, and naturally everybody has to buy meat. But you have to pass every other counter in the store to get there.

I never saw a butcher's face. Once in a while a door would slide open and a hand would come out mysteriously and place a package of meat in the showcase, but that is all you saw of a butcher.

I noticed that they are selling bologna for 59 cents a pound, same price they are getting for hamburger, so obviously bologna requires considerable processing and packaging and obviously there is an increased labor cost to cause the high price of—

Senator McGEE. Some think you can get it right over here not very far away.

Mr. TOOLE. They are getting 69 cents a pound for stew meat, 59 cents a pound for shoulders and chuck or neck meat, and 55 cents a pound for hamburger. I do not know where they get the hamburger from. If they do not get it from the neck—well, it beats me.

All this in view of the fact that yesterday in Chicago Choice steers were selling for from \$20.50 to \$21.50 a hundred. And I notice in yesterday's quotation that at 11 o'clock yesterday the market was slow and they had a large supply of steers. Over 1,350 pounds. They were still in first hands at 11 o'clock. That means they were not sold at 11 o'clock yesterday morning.

A Choice steer averaged in February of this year about \$21.34 a hundredweight. You can estimate that a Choice steer will dress away about 40 percent. These carcasses should hang on the hook for less than 40 cents a pound. And if the chainstores were confined in their profits to something more reasonable than the 50 percent and up that they are taking, the housewives would buy more meat at the cheaper price and their families would be better fed.

A congressional investigation of this chainstore rustling could result in higher prices to the cattlemen and lower prices to the consumer, bringing movement of a greater number of cattle. This is the way to pull the cattle market out of the slump that has put prices at the lowest level in 7 years. And if such an investigation could break the use of the chains' monopolistic power in controlling food prices, we also could stop them from forcing so many small grocers out of business, and the \$1 billion loss which is a conservative figure to the producers of cattle in America not only kept these people from paying bills and buying cars and farm machinery and other supplies but it was the cream off the top of the milk bucket that would ordinarily have been taxable as net income for most producers.

And this blow to the U.S. Treasury coupled with the hardship suffered by an important group of food producers is unfair, inequitable, and a real injustice to those of us who have been the most reluctant of all to seek Federal aid of any kind.

In fairness to the consumer and the producer and the small grocer, I sincerely hope that your committee is successful in obtaining an investigation into the tactics now employed by the chainstores in exploiting the producers, the consumers, and labor, with their organized price controlling of beef products and their unfair marketing methods of meat.

I thank you, Senator.

Senator McGEE. I want to thank you very much.

Now, do I understand, Mr. Toole, that you are a past president of the Montana Stock Growers' Association?

Mr. TOOLE. No, the Montana Cattlemen's Association.

Senator McGEE. The cattlemen's association? And have you any connection with them at the present time?

Mr. TOOLE. I am a director of the Montana Cattlemen's Association.

Senator McGEE. At the present moment?

Mr. TOOLE. Yes. However, I do not speak for the Montana Cattlemen's Association. I appear here as an individual.

Senator McGEE. As a private cattleman?

Mr. TOOLE. Right—or used to be.

Senator McGEE. It is your general thesis, as you phrase it in your own inimitable way, that there is more cattle rustling behind the counter than on the range?

Mr. TOOLE. It seems so. I do not know what is going on behind those sliding doors that they have got in back of the chainstores, but I am pretty sure it isn't good. I can tell you that.

Senator McGEE. Would you regard it as more helpful to your industry, your part of it; namely, cattle, if we could have the food people themselves nominate the President's Commission?

Mr. TOOLE. I do not. I admired what you said a while ago to the gentleman that spoke earlier, and I like what you said about politics and Government. And I respect my Government, and I think that it is the Government's responsibility to regulate and concern itself with the people's business. And this I consider the people's business.

Senator McGEE. I think those are all the questions that I have at this particular moment.

I want to thank you very much for your directness and your forthrightness in your comments, Jack. Your prepared statement will be included in full in the record at this point.

(The statement referred to follows:)

STATEMENT OF JACK C. TOOLE

I am Jack C. Toole of Shelby, Mont., and I wish to thank you for giving me the opportunity of appearing before this important subcommittee to testify in behalf of Senate Joint Resolution 71. It further delights me to know that the distinguished Senator from my neighboring State of Wyoming heads this important Commission because he is well acquainted with the problems of our stockmen and I know that our problems will have a fair hearing here. I own and operate two cattle ranches, one in the Sweetgrass Hills, Mont., and one at Swan Lake, Mont. I am a past president and presently a director of the Montana Cattlemen's Association. However, I speak today only for myself as an individual and not as a representative of the Montana Cattlemen's Association. I don't claim to be an expert on the subject we are presently concerned with, but I do try to make a living raising cattle and I feel I know something about the cattle business.

There is more "cattle rustling" going on behind the meat counters of this country's chainstores than ever went on in the rangelands of the West. I think I can prove this and I think the situation merits careful scrutiny by Congress. The chainstores, with their monopolistic practices, are overcharging the consumer, underpaying the producer, underselling our product, and putting the small grocer out of business. The unreasonable gap which exists between "on the table" and "on the hoof" prices of beef is obviously the direct result of the fact that 100 chainstores are marketing 90 percent of the food to American consumers.

One of the big chainstores (Safeway) at a public cutout demonstration in San Francisco last October revealed that the chain nets up to \$145 profit on every head of cattle handled.

For instance, on a 624-pound carcass, the chain admits \$62.98 net return per 100 pounds, or \$392.99 per carcass. This same carcass was purchased from the packer for \$227.76, so the gross profit was \$165.23. These retailers, selling beef at "regular" prices, are grossing well over 50-percent profit on what the carcass costs them.

Meanwhile, Montana cattlemen lost a total of \$25 million, or an average of about \$35 per head, on the cattle they sold in 1963 as compared to 1962. Yet the consumer still pays the 1962 price over the counter for the beef the chains are buying at the low 1963 prices. Furthermore, the fat cattle market is reflected back on our stocker and feeder cattle prices.

For instances, my Angus steer calves brought me \$36 per hundredweight in 1962 and \$30 per hundredweight in 1963, or a loss of \$6 per hundredweight or \$24 per head of calves sold. I grow and sell Angus yearling heifers annually for restocking purposes. My heifers brought \$235 per head in 1961, \$225 per head in 1962, and \$175 in 1963, losing \$50 a head from the year 1962 to 1963. If you think I am making money at those prices, just talk to my banker. Similarly in 1947 we were getting \$40 per hundredweight for our calves and we were paying 90 cents per pound for round steaks. Today with calves at 30 cents per pound, round steaks are selling for \$1.19 per pound. For comparison, last night I checked the retail meat-counter prices at Super Giant, Hillside Avenue, Falls Church, Va. The meat counter, as is the case at all supermarkets, was at the back of the store—supermarket operators know that shoppers have to buy meat no matter what the price and thus the customers are compelled to parade past every display in the store before reaching the meat counter. Here, tightly wrapped in cellophane bags was lipstick red "unaged beef" with outrageous price tags attached. These prices can't be traced to exorbitant labor costs I am sure for I never saw a butcher's face. Once in a while a sliding door would open back of the meat counter and a bodyless arm and hand would reach out and place a meat package in the meat case. What goes on behind those sliding doors is anybody's guess—if there are butchers back there I could not prove it.

Here are their prices:

Sirloin-----	\$1. 19	Ground chuck-----	\$0. 69
Top rib-----	. 99	Chopped sirloin-----	1. 09
Cube steak ¹ -----	1. 29	Tip roast-----	1. 25
Round steak-----	1. 19	Rump roast-----	1. 19
Steak roll-----	1. 29	Rib roast-----	. 79
New York sirloin-----	1. 89	Filet mignon-----	1. 89
Shoulder steak-----	. 69		

¹ This is meat that could not be sold under its own name for anywhere near this figure.

They were getting 69 cents a pound for stew meat, 59 cents for shoulder and chuck or neck meat, and 55 cents for hamburger. Bologna and other processed meat which requires considerably more labor to make than hamburger at 59 cents per pound indicates that the markup on beef cannot be charged to labor costs. All this in view of the fact that yesterday in Chicago choice steers were selling for 20.5 to 21.5 cents per pound and averaged \$21.34 per hundredweight in February of this year. With choice steers dressing away approximately 40 percent, these carcasses should hang "on the hook" for less than 40 cents per pound. If the chainstores were confined in their profits to something more reasonable than the 50-percent-and-up that they are taking, the housewife would buy more meat at the cheaper price and our families would be better fed.

A congressional investigation of this chainstore "rustling" could result in higher prices to the cattlemen and lower prices to the consumer, bringing movement of a greater number of cattle. This is the way to pull the cattle market out of the slump that has put prices at the lowest level in 7 years.

If such an investigation could break the use of the chainstores' monopolistic power in controlling food prices, we also could stop them from forcing so many small grocers out of business.

The \$1 billion loss—which is a conservative figure to the producers of cattle—not only kept these producers from paying bills, buying cars, farm machinery, and other supplies, but it was the cream off the top of the milk bucket that would ordinarily have been taxable as net income for most producers. This blow to the U.S. Treasury coupled with the hardship suffered by an important group of food producers is unfair, inequitable, and a real injustice to those of us who have been the most reluctant of all to seek Federal aid of any kind. In fair-

ness to the consumer, the producer, the butcher, and the small grocer, I sincerely hope your Commission is successful in obtaining an investigation into the tactics now employed by the chainstores in exploiting the producers, consumers, and labor alike with their organized price control of beef products and their discriminatory marketing methods in meat. Thank you.

Senator McGee, I agree with you 100 percent in the matter of the membership of this proposed Commission. I believe the investigating Commission should be a congressional commission. I liked what you said to the earlier witness about politics and government. I have confidence in my Government and I have faith in its elected bodies. I feel it is the responsibility of my Government and its leaders to protect me and my fellow citizens from unfair and unjust business practices. Thank you.

Mr. TOOLE. I thank you, Senator.

Senator McGEE. The committee will resume its deliberations on the 29th, a week from yesterday, and the witnesses on that day will be Senator Maurine Neuberger from Oregon and Mr. Henry Bison.

On the following day, the 30th, we will have testimony from the spokesmen for the food chains.

That is all for this morning's session.

(Whereupon, at 10:17 a.m., the committee recessed to reconvene on Wednesday, April 29, 1964.)

STUDY OF FOOD MARKETING

WEDNESDAY, APRIL 29, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met, pursuant to recess, at 8:30 a.m., in room 5110, New Senate Office Building, Hon. Gale W. McGee presiding.

Senator McGEE. The hearings on Senate Joint Resolution 71, as amended by the proposal from the President of the United States, will resume.

I would like to make a part of the record at this time a statement from Senator Frank Church, of Idaho.

Then I would like to refer to pertinent information from the Cheyenne Tribune of April 22, 1964, from an editorial by the editor of that paper entitled, "Figures Tell the Real Story." The story compares the figures in the Safeway store ads in Cheyenne the week of October 8, 1947, and the week preceding April 22, 1964. The point of the comparison is to suggest that there was indeed a widening spread, that in 1947, and I quote:

Sirloin steak in the Safeway ad was 59 a pound; T-bone, 59; round steak, 65; and chuck steak, 49.

At the same time, the editor said that prime steers were selling at \$35 a hundred in Omaha.

Last week, the editor goes on, the Safeway ad in our newspaper listed sirloin, not at 59 but 83; T-bones not at 65 but 93; short-cuts 93; round steak, 69, and chuck, 49.

But the steers, instead of bringing \$35, were bringing \$21.85.

So, as he points out, over the 17-year period the top grades of meat were up over 40 percent, while the price paid by the grower was down over 35 percent.

This is this widening spread between what goes to the producer and what is paid by the consumer at the other end. This spread has continued to be a central focus in the sights of those who have concerned themselves with the problems that have been described in the President's message.

(The documents follow:)

STATEMENT OF HON. FRANK CHURCH, U.S. SENATOR FROM THE STATE OF IDAHO

Mr. Chairman, the dominant characteristic of our postwar economy, aside from its tremendous boom, has been the rise of giantism. Economic power has every year become more concentrated in the hands of a few, to the point that nearly all major industries are ruled by an oligarchy, and there is little that our antitrust laws or the yeoman efforts the Small Business Administration or the small business committees of the Congress can do about it. One industry where giantism has had the greatest impact on our society is food marketing.

We are all, of course, familiar with the decline and disappearance of the small retailer. Chainstores have increased every year since 1945 to the point where today in most major areas, the four largest chainstores and four largest cooperatives control two-thirds of the retail business.

During this same postwar period, we have seen the farmer's prices and his relative share of the retail dollar dwindle constantly. Since 1947 the housewife has paid nearly 20 percent more for all her food while the farmer has received about 15 percent less for his crops. Compared to 1947, the cattleman is selling beef for nearly 15 percent less, while retail prices are 26 percent higher; the wheat farmer receives 15 percent less for his wheat, while the price of wheat products is up 54 percent at the store.

Obviously we should ask if these two phenomena, the rise of the marketing giants and the fall of the farmer's share of the retail dollar are not related. Our suspicions are aroused by two facts: First, the marketing giants are now going into the producing business to such an extent that their own cost tends to set a pattern in pricing and to create a reserve for times when prices are high. Senator McGovern and the Farmer's Union have detailed for you in an excellent way the detrimental effect of just such vertical integration in the feeding and slaughter of cattle as one example of what is possible in several products. Second, the buying of 85 percent of the food is done by less than 2,000 purchasing agents, almost exclusively by telephone. This means that buying is done in such huge quantities as to be able to demand a low price. Against this concentration of buying power—and in view of the great overproduction of most products, including beef—the farmer simply hasn't got a chance. In only a few crops, such as oranges, have growers organized to the point that they can help to name the price.

The result is the steady drain of people from the farms, the increase of the corporate and the decline of the family farm.

We have been asked to pay a high price in the past for the family farm and I, for one, think it has been worth it. But, as this year's Department of Agriculture Yearbook "A Place To Live" made clear, we will be asked to pay a higher price in the future. If buyers of food have such great power, can even a government control program which precisely balances supply and demand create the high farm prices we seek? Will the mysterious middleman continue to gobble up an ever-increasing share of the cost of food at retail? Will the corporate farm continue to replace the family farm? These questions deserve more attention than they are getting. That is why I am here today.

I commend your committee, Senator McGee, for beginning this work. I welcome the President's request that this matter receive exhaustive study from a bipartisan Commission. I have come here today to offer my support for the Commission concept, to encourage speedy and intensive action, and to look down some of the roads I think the Commission should travel. For all those concerned about the social and the economic effect of the revolution in food marketing, your work and that of the Commission is of the highest importance.

Senator McGEE. Our witness this morning is my distinguished colleague from the Senate, Senator Maurine Neuberger, from Oregon.

Senator, we are delighted to have you with us. We are looking forward to something that will strip away the "smokescreen" from this very difficult question.

STATEMENT OF HON. MAURINE B. NEUBERGER, A U.S. SENATOR FROM THE STATE OF OREGON

Senator NEUBERGER. Thank you, Mr. Chairman. I like the pun also.

As the chairman, my distinguished colleague from Wyoming, was commenting on this editorial about the price of meat, it made me wonder how much buffalo steak is selling for in Wyoming.

I remember the night we were all enjoying dinner in the Senate restaurant and we were pleased to see buffalo steak on the menu. It was quite a treat for a lot of us who had never tasted it before.

I also would like to commend the chairman, the Senator from Wyoming, for focusing nationwide attention on this subject of interest

to not only the producers of great agricultural products in his State and my State, but also to the distributors, to the problems of the retailer, and finally to Mrs. Consumer.

Probably I am more oriented toward her than I am to the other facets because I am more familiar with the ultimate end of this product. But we are concerned with it all the way.

I think there has been a great deal of humbug in much of the testimony that has been heard so far by this committee. The producers, the processors, the wholesalers, the retailers, the farmers, the consumers, yes and the Government agencies and departments, all have sent their spokesmen here to testify in favor of the resolution. Before I go any further may I say that I am also in favor of the resolution. But I would like to look at it with a critical eye.

Everyone seems agreed that there is a problem in the food industry today and that it is serious. All agree that a wide gap does exist between what farmers get for what they sell, and what the consumers pay at the other end of the line. But there is little agreement as to why and what to do about it.

Joseph Conrad has said, "You shall judge of a man by his foes as well as his friends." I learned long ago that one very useful criterion in evaluating proposed legislation is to find out who is against it. On whose toes is the program going to step? According to the testimony heard so far, no one expects this National Commission on Food Marketing to be so rude as to point the accusing finger of reproach at them. The spokesmen before this committee have all had their favorite culprit: it is some specific other group appearing before this committee; it is marketing inefficiency; it is Government tampering with the delicate mechanisms of private enterprise; or they throw up their hands and say that it is indeed a serious and grave problem.

From the testimony you have received so far I quote from one witness who said:

So I think that if we continue to maintain our free enterprise system without too much interference from our Federal Government, that we will have a much better opportunity to have all segments of the industry earning the profits which they rightfully deserve.

This is the type of testimony I mean.

The joint resolution states that the Commission will examine the marketing structure of the food industry and make recommendations for action by the Government, private enterprise, or individuals. Section 4(a), Nos. 3 and 4 would have it examine the production, assembly, processing, and distribution of food, consumer services, the meaning of competition today following the retailing revolution, and the distribution of real power in the industry. No. 5 says that the Commission will study and evaluate the services and regulatory activities of the Federal Government vis-a-vis the food industry. Mr. Chairman, when these duties are coupled with the powers given it in the proposed legislation, one has a potentially significant Commission. But will it be? The blanket endorsement of the Commission by nearly all participants of the food industry suggests to me that either they feel the Commission will be a harmless little body dedicated to gathering a few more statistics or that the lightning, if it must come, will strike the other fellow.

I would hope and presume that such a situation will not develop. The Commission, if its report is to have any significant impact on the food industry, must be willing to use its authority and to exercise a high degree of independence. The maximum information should be gathered and it should be evaluated by the best minds in terms of the public interest. It should be possible to have a Commission that would recognize no forbidden ground, and which could arrive at any of the following illustrative extreme conclusions: the Commission could decide that the food chains are monopolistic giants that are milking the vitality out of their traditional partners in the food industry; it could conclude that much of the activity of the Federal Government in the food industry is being conceived merely to justify Government jobs, or that the Government agencies, supposedly looking out for the public interest, are really the handmaidens of the industry they are charged with regulating; or the Commission could come to the conclusion that the only thing that is really wrong with the food industry is that the American consumer is either too stupid or too lazy to exercise the ultimate power of patronage and the purse, and is quite willing to receive no or shoddy service and to pay high prices. The public will have greater confidence in the Commission if they know it has been led by the evidence and not by political considerations or vested interests.

I come here this morning to go on record as stating that when the Commission on Food Marketing is established, there is one U.S. Senator who is going to take a very personal interest in the activities of that Commission, and will not hesitate to remind the Commission of its duties, powers, and opportunities, should the situation call for it.

I do not mean to imply that I am the only one. I know that the chairman of this committee, the Senator from Wyoming, will have more than a passing interest because of his great activity and sponsorship of this important legislation.

Senator McGEE. May I say, Madam Senator, that I know of no more impelling motivation than the watchful eye of the distaff side.

Senator NEUBERGER. Four eyes will be better than two.

In spite of any misgivings about the enthusiasms of some groups which have testified on this legislation, there are some very encouraging precedents for the future of the Commission. Allow me to mention just two: the President's Consumer Advisory Council and the Surgeon General's Advisory Committee on Smoking and Health. Sometimes I refer to that as the Advisory Committee on Smoking and Disease.

It is certainly true to say that consumer affairs have received much more attention and publicity in Government circles since President Kennedy created the Consumer Advisory Council, and since Mrs. Esther Peterson was appointed to the post of Special Assistant to the President for Consumer Affairs.

The Council's first annual report has a statement which might serve as a starting point for the new Commission's study:

Broadly construed, the goals of American consumers call for a highly productive economy, wherein a balance is struck between added effort to produce more and added satisfaction from consuming more, and wherein there is a desirable sharing of total output among all persons. The consumer point of view—as distinct from a producer point of view—places a high priority on arrangements to assure that what is most wanted is in fact produced, that it is produced to give choice of quality at lowest possible cost, and that what is produced is channeled to those who want it.

The Surgeon General's Advisory Committee on Smoking and Health was established in 1962 to make whatever recommendations it thought necessary regarding the tobacco-health problem. At that time, and also in January of this year when that Committee made its report, much was being said of a report that would be vague, equivocal, compromising, and weighted in favor of the tobacco industry. In fact a representative of the association of the tobacco industry said that the report would all be forgotten in 30 days. Well, many times more than 30 days have gone by, which shows the importance of that similar investigation.

Senator McGEE. May I hasten to add here, that was in no small measure due to a watchful eye that was maintained over the operations and the ultimate performance by the distinguished Senator sitting here this morning.

Senator NEUBERGER. Thank you very much. I point out that that report was anything but equivocal. And one proof of that is the reaction we all saw yesterday of the tobacco industry in bowing to public demand and in announcing a new code of advertising ethics which received front page recognition, and I notice today's paper continued comment on it.

With these recent splendid examples, the Commission on Food Marketing should be equally as forthright. I am sure that it will not shrink from that responsibility and that the food industry, and I might add the farmer, producer, and the consumer, will be well served.

Thank you, Mr. Chairman, for this opportunity.

Senator McGEE. I want to reassure my colleague from Oregon that insofar as any individuals who are deeply interested in it can exercise pressure—every effort will be made to see that the Commission avoids no questions and that runs away from no answers, no matter what the problems may be.

We need a useful and constructive examination of this rather new and very complicated phenomenon by the Commission.

Senator NEUBERGER. I am so glad to hear the chairman say that. And perhaps I have erred in not giving more credit here to the fact that all of us today appreciate the variety and convenience of products in today's supermarket. I hope nobody will take it that we are wanting to go back to the cracker barrel type of store. I definitely do not. Mrs. Consumer has never had so much opportunity for variety in taking care of her family as she has today.

Senator McGEE. Both the variety and the quality of the produce, which really has meant a rise in standard of living of the average household, is one of the great gains, in my judgment, of the phenomena of the supermarket. The reason that a hard look is being taken at other consequences, and that this committee is dedicating itself to that kind of an examination, is that we want to make sure that in these great gains that we make that there does not arise inadvertently, or in an unanticipated way, other kinds of consequences either in the economy or in the social strata that may have detrimental effects that with some foresight could have been avoided. And therefore in the broad public interest it seems wise and timely, in fact urgent, that this kind of overall examination of the implications of the new supermarket, food chains in particular, with their \$70-plus billion of gross sales a year, with \$11 million that are tied in with them in one

way or another in jobs, with the people who make their own independent livings supplying them, their future perhaps at stake, be conducted.

Senator NEUBERGER. That is true.

Senator MCGEE. I want to thank the distinguished Senator from Oregon for her comments and her prodding here this morning and to reassure her that her comments will not go unnoticed or unheeded.

Senator NEUBERGER. Thank you.

Senator MCGEE. Is Mr. Helstein here? If you will identify yourself for the record, you may proceed, Mr. Helstein. You can read all your testimony or highlight it.

STATEMENT OF RALPH HELSTEIN, PRESIDENT OF THE UNITED PACKINGHOUSE FOOD & ALLIED WORKERS, AFL-CIO

Mr. HELSTEIN. The statement is short enough, sir, that I will read it. My name is Ralph Helstein. My office is located at 608 South Dearborn, Chicago, Ill. I am international president of the United Packinghouse Food & Allied Workers, with its main offices located at the address which I have just given.

Mr. Chairman, my purpose today is to attempt to put another dimension into consideration by this committee on the legislation pending before it. Since I devote myself primarily to the effects of some of the problems in the industry to its impact upon workers employed in it, I think it only proper that I make the prefatory statement that this is not intended in any way to suggest that we do not have any concerns expressed by others as far as the consumers, the processors, the producer, and other elements of the food industry.

We do feel that there is a special dimension which needs consideration, particularly at a point of time when the Nation, as a whole, has had its attention focused on the problems of poverty and unemployment as it is today. I will skip the identifying paragraph and go on.

We are, therefore, very glad to have this opportunity to appear before this committee and present our views in support of President Johnson's proposal, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

We sincerely hope that such a study would pay particular attention to the ramifications wrought upon the lives of the Nation's foodworkers by the very developments that prompted the Presidential request.

In recent years dramatic changes have taken place in the relative distribution of economic power within the food industry in the United States. The bases of economic strength have been shifting away from the producer and processor in the direction of the distributor.

These changing power relationships have generated an interplay of economic forces, one, and perhaps, the most pernicious side effect of which, has been the elimination, in the meatpacking industry, at least, of tens of thousands of jobs.

Furthermore, current calculations indicate that this alarming trend aggravating, as it does, the already chronic unemployment situation in the industry and the Nation, may be expected to continue for the foreseeable future.

In our view, the chainstore and supermarket now occupy the most strategic position in the entire complex broadly defined as the food

industry. We would argue that a development which began as a countervailing power to that of the giant food processors has now reached such a proportion that, through the exercise of oligopoly power, supply and demand no longer determine price. In the Secretary of Agriculture's words:

* * * price—or the interplay of supply and demand—no longer is the primary means of control * * * of reflecting consumer wants and guiding production decisions. Increasingly these decisions are being made administratively by the owners of the retail establishments. They are able to do this as the marketing process is being telescoped through a variety of arrangements * * * including vertical integration, contracts, or other informal arrangements and the close interrelationship of suppliers and retailers. (Address by Secretary of Agriculture Orville L. Freeman to American Marketing Association's Washington Chapter, October 23, 1963.)

The reasons for such spectacular changes in power relationships are many and worthy, we would submit, of detailed and comprehensive investigation by an impartial commission. Perhaps such a commission will find the answers to help us explain to the packinghouse workers of this Nation what has been happening—and what is likely to happen in the future—to their jobs.

The majority of the membership of our union work in the Nation's packinghouses and happenings in the meatpacking industry, particularly as they affect employment opportunities for packinghouse workers, are of vital concern to us.

It is thus with considerable alarm that we have observed certain fundamental changes taking place in the industry during the past decade or so. The net effect of these changes has been to permanently displace tens of thousands of packinghouse workers throughout the Nation.

By itself, the individual hardship and misery thus generated would be cause enough for considerable concern but the economic forces at work which were themselves responsible for these huge dislocations have, in our opinion, probably greater basic implications for the future well being of the Nation's economy.

The critical employment and manpower problems which these forces generated, and continue to aggravate, put strains upon the collective bargaining relationship that it is, not unexpectedly, hard put to bear.

For our part, careful analysis has led us to believe that changes, that were to be expected in the industry, have been accelerated—and I should like to emphasize that fact—and their effects made harsher and more pervasive as a direct result of the growing power of the giant retail supermarket chain in the structure of the food industry.

There seems little doubt other than that, by the exercise of its powers, the retail chain has been a major determining factor in accelerating the pace of modernization, automation, relocation, productivity, and job displacement in the meatpacking industry.

To make this observation is not to cast a moral judgment on this development but we are nevertheless extremely concerned with the plight of those workers in our industry who have already lost their jobs. We also seek to alleviate anticipated future job losses.

The magnitude of the problem is gaged by the fact that between 1956 and 1963 there was a drop in the total number of workers in the meatpacking industry (SIC 2011) of something in excess of 46,000.

This represents a decline of almost 20 percent in 7 years. (See table I attached.) Production worker employment has fallen at a frac-

tionally faster rate and the total number of production workers displaced during the same 7-year period was close to 37,000.

Employment declines of such proportions, wherein 1 out of every 5 workers is severed in the space of 7 years, warrant the concern in our judgment of the Nation's responsible leaders.

Anticipated job losses are difficult to estimate because we do not live in the economist's world of *ceteris paribus* but rather in one which changes constantly.

Nevertheless, on the basis of the historical declines in the industry taken together with available productivity information we would conservatively project that by 1970 a minimum of another 50,000 jobs will have disappeared and that more probably total employment in the industry as a whole will be down well below the 140,000 mark.

There is considerable statistical evidence to support the fact that productivity rates, which reflect accurately changes in technology, have historically tended to accelerate. This is certainly true in meatpacking where productivity jumped by almost 10 percent between 1962 and 1963 whereas there were much more modest increases in earlier periods.

The effect of such accelerating productivity rates upon employment opportunities are exceedingly difficult to calculate. This being so we have allowed our estimate of anticipated job losses to be dampened because they are weighted upon the relatively low annual average gains in productivity of earlier times.

Furthermore, these job-destroying developments have been accompanied by rapidly rising productivity in the Nation's meatpacking industry and declining labor costs.

Between 1956 and 1963 output per man-hour increased by some 40 percent from less than 64 pounds in 1956 to 89 pounds in 1963. Average hourly earnings during the same period rose at a less rapid rate and this, when job losses are also considered, accounts for the fact that the average labor cost per pound of red meat produced declined by some 4 percent between 1956 and 1963 (from 3.27 cents pound pound to 3.14 cents).

This is important for it means that while retail meat prices rose, and the farmer's share of the meat dollar decreased, the unit labor cost of meat production at the packinghouse fell.

It may serve to indicate where a major share of the burden, as well as a good deal of the benefit, has been allocated by these presently inadequately explained pricing developments that would, hopefully, be scrutinized by the President's proposed Commission.

Senator McGEE. May I interrupt at this point to make sure we get the point of the paragraph which you have just finished reading?

All testify to the widening gap between what the producer receives and what the consumer pays. But it has sometimes been suggested that as an explanation of that widening gap, that labor costs have gone up.

You are saying to the committee that, as regards packinghouse workers, the actual cost, labor cost, has declined; that if you figure in the increased productivity of each individual laborer and the decline in the numbers of laborers, and equate this with the present production in the meatpacking establishments, that the per unit labor cost is down from between 1956 and 1963?

Mr. HELSTEIN. Precisely. I am speaking clearly now of per-pound cost based on man-hour productivity. And I am speaking only within the area of my competence as far as the packinghouse level is concerned.

Senator McGEE. We had testimony the other day from the meatcutters. That is the reason I wanted to make this point clear.

Mr. HELSTEIN. We are saying that the record will support the fact that the per-pound cost of production per man-hour has declined at the packinghouse level.

Senator McGEE. Thank you.

Mr. HELSTEIN. There seems little doubt other than that the food industry since the war has experienced trends in economic development which have strong Darwinian overtones. The huge oligopolistic chainstores have risen to a dominating position in the market and similarly large processing firms set the pattern of production.

The weak and unorganized sectors of the food industry have paid a terrible price. The "ma and pa" grocery store has become a thing of the past, and today fewer than 100 corporate chains enjoy at least 50 percent of the Nation's \$56 billion annual food business.

The plight of the farmer is well documented for it is now fairly common knowledge that his share of the food dollar in 1963 fell to a 30-year low of 37 cents.

The consumer's gripes are fast becoming legendary as Mrs. America complains at what she considers to be inordinately high food prices. From our vantage point, the worker in the food industry has perhaps suffered the most.

It is repetitive, but worthy of repetition, to note that in the past 7 years one out of every five jobs in the meatpacking industry has disappeared with no alleviation of this alarming trend presently in sight.

We have sought to examine, with no little care, the reasons for these job-destroying developments. The evidence that we have collected on the subject is considerable, and we would be happy to make it available to the members of the proposed investigatory commission.

Briefly it appears to us that the growth of the retailer's market power has been used to expand profit margins that were already considerable. This the giant retailer has done partly by increasing prices to the consumer—particularly of those items with relatively inelastic demand—but also by squeezing the margins of the food processors.

Executives of the Nation's major meatpacking companies consistently complain to us, at contract negotiation time and at other times, and to their stockholders, at annual report time, that their margins on fresh meat, particularly beef, are intolerable.

Nevertheless, despite such complaints no amount of statistical legerdemain can disguise the fact that by and large these companies are extremely profitable ones. The Nation's food processors and, in our own field of special knowledge, the Nation's meatpackers have apparently been successful in protecting their margins—but how?

Apparently the answer is that they have been successful in cutting their costs. This cost cutting has taken a multitude of forms, among them direct buying to bypass the stockyards; contract buying and specification buying; plant closedowns; introduction of new highly advanced technology; relocation and conscious diversification of production facilities and last, but by no mean least, direct wage cutting.

Suffice it to say that in the meatpacking industry, these cost-cutting devices have had the effect of protecting relative packer profit positions while at the same time depressing farmer income and eliminating thousands of jobs.

Such a situation is not only extremely disturbing, it is worthy of detailed examination. It may well prove to be the case that our explanation of postwar developments in the food industry needs modification.

We welcome what we consider will be a serious attempt to find the truth. Spokesmen for both the cattle industry and the chain-stores have accused each other, in recent weeks, of trying to baffle the public by the confusing use of statistics.

That may well be, but such explanations, I can assure you, are of little value to the packinghouse worker in Sioux City, Iowa, or a dozen other cities who after 20 or 30 years of service sees his job disappear, due to a plant closedown, with little or no hope that he will ever work again. That man, and his family, deserve an answer—an answer that is long overdue.

Many other questions also need to be answered for the public has a right to know what has been going on in the food industry in recent years.

Why, for example, when a pound of beef costs 68.4 cents at retail in 1947 did the farmer get 48.2 cents of that amount whereas today, when a similar pound of beef costs 81 cents, he only gets 45.3 cents?

Why, also, has the retailer's markup on this pound of beef increased from 21.8 percent to 30.7 percent and the packer's from 7.7 percent to 13.3 percent while at the same time the farmer's share has fallen from 70.5 percent to 56 percent?

In his testimony before this committee on April 16, 1964, the Secretary of Agriculture pointed out that—

No satisfactory answer can be found to explain the sharp increase in the spread between what farmers get for what they sell and what the consumer pays to carry the food out of the store.

The establishment of a National Commission on Food Marketing would hopefully serve to partially rectify such an unconscionable situation. An investigation is needed, and we support it.

Its task should not only be to examine and explain past and present developments but also to anticipate future ones and make specific recommendations for appropriate positive action.

As presently written, Senate Joint Resolution 71 gives the Commission such a mandate. It also provides for the recruitment of a competent professional staff without the aid of which any comprehensive investigation would be impossible.

In the hearings that are subsequently scheduled we offer our full cooperation for we feel it is vital that the interests of the workers in the Nation's food industry be given full cognizance in the planned investigation.

Jobs in our own industry of meatpacking have been disappearing by the tens of thousands and the hardship, torment and psychological dislocation thus engendered for the workers involved, is both unmeasured and may well be immeasurable. Furthermore, the latest study by the Department of Labor envisages no alleviation of this trend.

(Technological Trends in 36 Major American Industries: A study prepared for the President's Committee on Labor-Management Policy by the U.S. Department of Labor, April 14, 1964.)

We realize that developments in technology, in consumer tastes, and in marketing practices, could be expected to have job displacing side effects although, at the same time, we would have liked to have seen the savings thus generated passed on to the consumer.

However, what is particularly disturbing is that an obvious relationship has developed between the rate at which economic marketing power is concentrated in the hands of the giant retail food chains and the pace at which job displacement occurs.

The exercise of such power, as reflected, for example, in the buying practices of the chains, serves to accelerate the pace at which technological development, and other job-destroying changes, have resulted in massive disemployment in the meatpacking, and other sections of the food industry.

Through the manipulation of their economic power in the retail and wholesale marketplace the chains are benefiting at the expense of farmers, consumers, and workers alike.

Such "public be damned" conduct serves to aggravate our Nation's most serious economic problems of unemployment and poverty.

Consequently, we sincerely urge that particular attention be paid to the many problems currently being faced, as well as those that will have to be faced, by the Nation's millions of food workers as a result of the dramatic shifts in economic power that have taken place in the industry in recent years.

Mr. Chairman, on behalf of our union, the United Packinghouse Food & Allied Workers, we strongly urge congressional approval of the amended version of Senate Joint Resolution 71 and sincerely hope that answers to the perplexing problems posed by recent economic developments in the Nation's food industry will be found and a forthright remedial program proposed and subsequently enacted.

Senator McGEE. May I mention at this time that your table I, to which you made reference, appended to your statement, will be made a part of the record following your statement immediately.

(The table follows:)

TABLE I.—*Facts about the meatpacking industry*

Year	Employment	Production workers	Man-hours (in thousands)	Output per man per hour (pounds)	Index of productivity 1956=100	Wage cost per pound (cents)
1956.....	237,900	187,600	418,564	63.7	100.0	3.27
1957.....	224,400	176,200	387,433	66.0	103.6	3.38
1958.....	215,100	170,400	362,407	67.3	105.1	3.54
1959.....	207,500	163,300	361,742	71.9	112.9	3.48
1960.....	209,900	164,800	359,923	75.1	118.0	3.46
1961.....	202,700	159,700	345,776	79.4	124.7	3.39
1962.....	196,700	154,500	336,246	83.0	130.3	3.34
1963.....	191,775	150,616	332,078	89.0	140.0	3.14
Absolute change.....	-46,125	-36,984	-86,486	+25.3	-----	-.13
Percent change.....	-19.4	-19.7	-21	+40	+40	-4

Sources: U.S. Departments of Labor, Commerce, and Agriculture data.

Senator McGEE. As I understand, one of your central points is that your group, interested in jobs, does not stand in the way of technological advance improvements, but rather you have been disturbed by the accumulation of more and more economic power in the hands of a few that have effected some of those changes far more rapidly. Therefore, this has accentuated the plight of your group.

Mr. HELSTEIN. The point could not be more clearly stated.

Senator McGEE. Some of the figures supplied are extremely interesting, and I am confident that the Presidential Commission will be interested in pursuing them further and turn to your resources to study additional elements in this very difficult question.

Mr. HELSTEIN. We would welcome it, Mr. Chairman.

Senator McGEE. Thank you very much.

Mr. HELSTEIN. If I could just add this proposition to it: The industry is one which lagged for a long time in terms of technological change. There is no doubt it was needed. As a union, we have recognized it.

Ours is one of the two unions that entered into the agreement that has received so much national publicity. We were the first to establish the automation fund which recognized the importance of introducing new equipment, in making available increased efficiency and methods of operation.

It is clear, however, from everything we have been able to learn, that the nature of the buying practices of the major distributive factors in the industry, are increasingly in this country becoming crucial. It is at the distributive level that most of these things get determined today, and these practices, with the pressures that are constantly on, have accelerated the tempo and the speed with which this has occurred.

Senator McGEE. I want to thank you very much for your helpfulness to the committee.

Mr. HELSTEIN. Thank you for your time.

Senator McGEE. The third witness this morning is Mr. Henry Bison.

Mr. Bison, if you will identify yourself before you proceed with your statement, then proceed in any way which you see fit.

STATEMENT OF HENRY BISON, JR., GENERAL COUNSEL, NATIONAL ASSOCIATION OF RETAIL GROCERS OF THE UNITED STATES, WASHINGTON, D.C.

Mr. BISON. My name is Henry Bison, Jr. I am general counsel for the National Association of Retail Grocers of the United States, with offices here in Washington, D.C., at 1317 F Street.

I have been counsel for the association for approximately 10 years. I am a member of the bar of the District of Columbia and the bar of the State of Maryland.

The association represents foodstore operators in every State of the Union. It was founded in 1893, and has its headquarters at 360 North Michigan Avenue, Chicago, Ill. The organization is a federation of several hundred State and local associations of food retailers. It represents those retailers generally described as independent foodstore and supermarket operators. The governing board of the association is elected at the annual convention of the organization. In June of this year, it will hold its 65th annual convention in Miami Beach, Fla.

By action of its board of directors taken on April 18, 1964, the association has adopted a position supporting the establishment of a national commission on food marketing to study the food industry from the farm to the consumer. It will cooperate to the fullest extent possible in developing impartial and factual surveys of current trends and practices in the food industry. The association will prepare such

studies relating to food distribution without cost to the Government as may be called for by the commission. It welcomes the opportunity to provide useful information to the commission in the discharge of its duties.

There is no doubt that the food industry, and particularly retail distribution, has changed considerably in the last two decades. It is not necessary or appropriate at this time that we describe these changes and appraise their effects within the economy. Such analysis is one of the purposes of the proposed commission.

It is generally acknowledged, however, that the retail food distribution system in this country is the most efficient, the most competitive, and has provided consumers in the United States the greatest variety of health-giving food and food products that the world has ever seen. At the same time, it has produced such economies that urban families are now spending considerably less of their disposable income for food.

Secretary of Agriculture Orville Freeman recently pointed to the progress the food industry has made. He said: "In relation to family income levels, food today is a greater bargain than ever before. Compared to what families in other lands pay for food, the American consumer has more money to spend on other items than do consumers in any other nation."

Retail food distribution is one of the most dynamic segments of our entire economy. It has developed new techniques and methods, always with the desire to keep improving the goods and services it offers to the consumers of the Nation. The food industry is not static in any respect; it is engaged in constant efforts to sell more and better products as economically as possible, and in such a way as to make shopping a pleasure for every customer. In summary, the food industry and food retailers generally have developed, through freedom of initiative which prevails in this country, a record of service to the public never before attained in any society.

It is not our purpose here to comment on the concern frequently expressed with respect to the economic effects of current trends and practices in food distribution. Neither is it our desire to offer at this point a statement of our views on the developing changes in the structure of retail food distribution.

These issues involve complex matters. And in an industry as large, dynamic and diverse as this one, hasty generalizations often prove inaccurate. Careful study must necessarily precede valid conclusions. Since the purpose of the Commission is to identify changes taking place in the food industry, assess their effects and forecast future developments, and since the proposed legislation calls for a thorough study of these matters before reaching a judgment, we believe it is in the best interest of all concerned to support a fair and factual study and await its findings before reaching any conclusions. We do not believe anything will be gained by attempting to prejudge what such a study will produce.

We trust that once the study begins, we will be given an opportunity to express our views and submit factual support for them. We also hope it will be possible to offer carefully considered recommendations for changes in Federal policies, laws and regulations.

When the Commission is established to study the food industry, the association will offer its cooperation and undertake to provide useful

information. This is a matter of great importance, and the association will assist in every way it can to make the study a success.

In conclusion, there is a need to examine carefully the economic forces now shaping the food industry of this country. We are in the midst of an era of great transformation. Patterns that have prevailed for many years are rapidly disintegrating. This is especially true in retail food distribution and merchandising. A new order is developing. New conditions are arising. A swift current of change is carrying us into unfamiliar areas. We are faced with situations which did not exist until recently. Old concepts, historic attitudes, and long-established policies may no longer be valid under present conditions.

We should learn all we can about the changes that are taking place; what they are, where they are leading us, how they will affect consumers and the Nation as a whole, as well as those who produce, process or distribute the food and the food products that come from our abundant resources. Only when we know more about the answers to these questions will we begin to have sufficient knowledge and understanding to judge what adjustments are needed in public policy that directly affect the performance of the food industry and the welfare of our people.

Senator McGEE. I want to thank you for that statement, Mr. Bison.

I would like to highlight the general tone of your statement, namely, that there are many imponderables in this. They are rising very rapidly. They have burst upon us with relatively little warning. Therefore, we should prepare to judge before it has gone in directions that might conceivably be undesirable or unwanted.

I think this is the philosophy and attitude that ought to characterize the whole posture of the President's Commission, that it should be straightforward, candid, and frank about the problems emerging in the food purveying business. We would like to know the answers, if possible before the problems if it is possible to anticipate that much.

In any case, as has been intimated earlier in these hearings, it is imperative with these phenomena now with us, of the supermarket and food marketing procedures, that we not be led by these processes but make a predetermination as to where we would like to take them in the public interest.

I would like to pursue for a moment to your views, as spokesman for the National Association of Retail Grocers, in regard to the composition of the President's Commission. As you know, the President suggested that it be a 15-man bipartisan Commission, 5 Senators, 5 House Members and 5 from the general public at large appointed by the President.

What would be the position of your group in regard to such a composition? Is this approach desirable? Would the approach better be outside Government entirely, or had it better be reserved to the industry itself and let them look at each other?

Mr. Bison. Mr. Chairman, we generally support the resolution. I might add that if industry members are going to be on the Commission itself, it is going to present some complications. I think you have had testimony before your committee with respect to the application of the conflict-of-interest laws.

That is No. 1. I don't presume to tell you what the effect of these laws will be, but the matter needs study.

No. 2, the Commission has, in the proposed resolution, subpoena powers. This presents a problem when the records of one company

are subpoenaed and a representative of a competitor is sitting on the Commission. That may also present some problems.

Another problem is this: It will be difficult to select only one person who can fairly represent all retail food distributors. Our retail food distribution industry is not as monolithic as some people may think. There are many divergent interests and attitudes in the industry. I think that it would be difficult—in fact, I shall say it would be impossible—to have only one retail food distributor represent all retail food distribution. I would like to suggest if such effort is made that retail food distributors have not one, but five members on the Commission.

I don't know how large the Commission will be if this matter is a problem for the other segments of the food industry. There are many complications involved. We are not suggesting that such procedure can't be followed. But we are suggesting that it would need careful study before any action is taken.

Senator McGEE. What you seem to be stressing then is that it would be important that the Commission itself be a nonindustry Commission, so that all of these varying shades of judgment and position and opinion be adequately represented in the hearings of the Commission, impartial judgment based on the record of that proceeding.

Mr. BISON. Mr. Chairman, we would like the opportunity, when the Commission is established, of devoting our efforts to presenting all the factual materials and analyses that we can prepare. Then, after we present our statement, we would like to have the Commission seriously consider it, along with other evidence introduced, and reach an impartial judgment based on the record of that proceeding.

If this is done by people who have an interest in seeing that an impartial judgment is reached, I don't see that anyone can ask for more.

Senator McGEE. I suppose the one inescapable conflict of interest that is still bound to crop up on a Commission that is made up of Senators and Representatives, is that they not only are consumers themselves, but that they speak for consumers and have constituents.

I likewise suspect that no one would pretend that that kind of conflict of interest could conceivably be detrimental at any time inasmuch as it is the whole basis for our society, the whole framework of our system of Government.

I have no additional questions at this time. I am sure that the facilities available through your association would make available to the Commission invaluable reservoirs of information and experience and judgments that could be most helpful in trying to resolve some of these difficult questions.

I want to thank you very much for taking the time to be with us this morning, Mr. Bison.

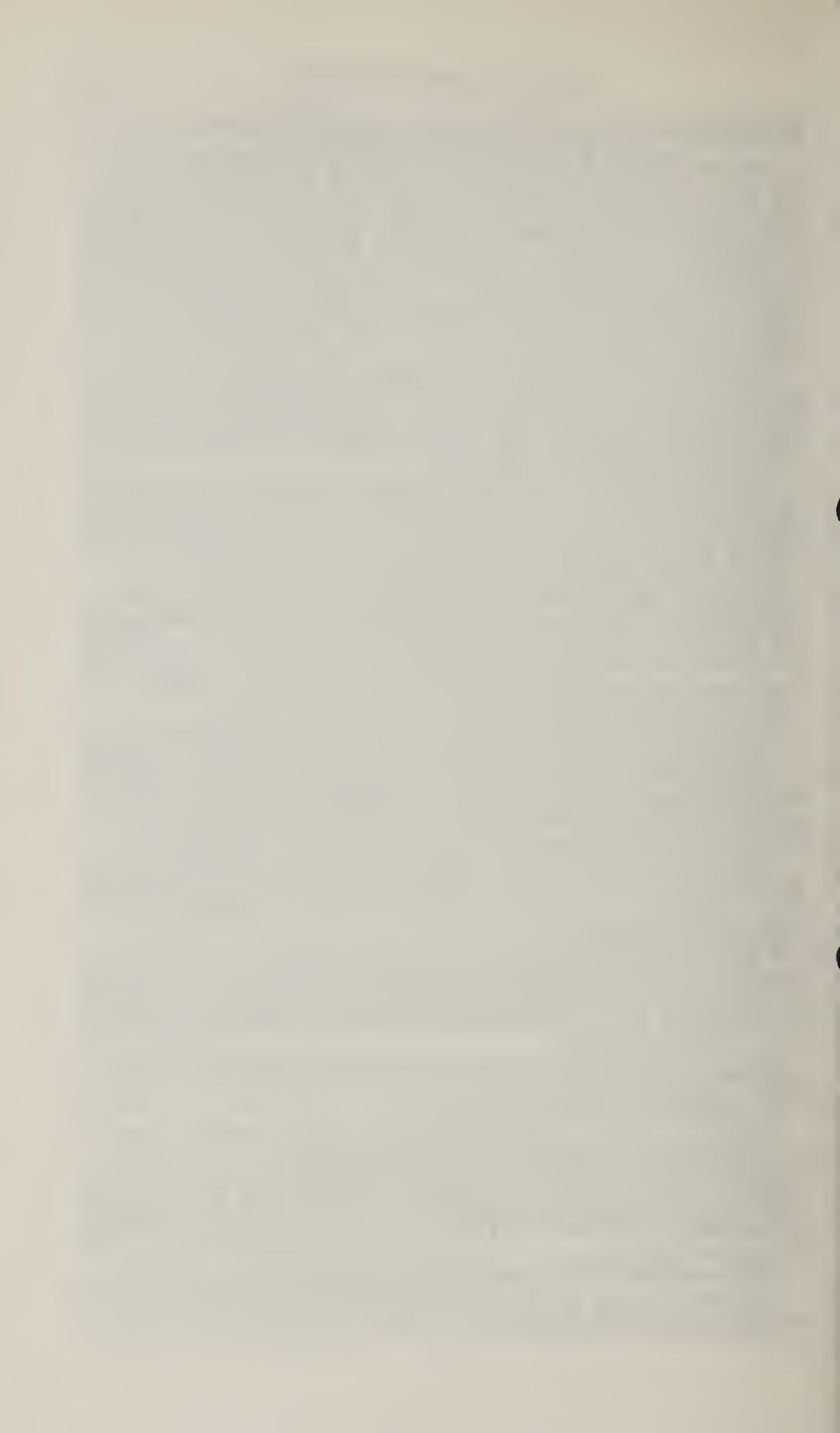
Mr. BISON. Thank you, Mr. Chairman.

Mr. McGEE. The committee will resume its deliberations tomorrow morning at 8:30 in this room to hear the food chains.

Their spokesman, Mr. Clarence G. Adamy, who is executive vice president of the National Association of Food Chains, will make the appearance in their behalf. That will be at 8:30 tomorrow morning in this hearing room.

The committee will now stand in recess until tomorrow.

(Whereupon, at 9:30 a.m., the committee adjourned, to reconvene at 8:30 a.m., April 30, 1964.)



STUDY OF FOOD MARKETING

THURSDAY, APRIL 30, 1964

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met, pursuant to recess, at 8:30 a.m., in room 5110, New Senate Office Building, Hon. Gale W. McGee presiding.

Senator MCGEE. The hearings on Senate Joint Resolution 71 will resume. We have one witness listed for this morning, Clarence G. Adamy, executive vice president of the National Association of Food Chains.

You may proceed in any way you see fit.

STATEMENT OF CLARENCE G. ADAMY, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF FOOD CHAINS, WASHINGTON, D.C.

Mr. ADAMY. Thank you, Senator.

Senator MCGEE. The time is yours.

Mr. ADAMY. I have a very short statement.

My name is Clarence G. Adamy. I am executive vice president of the National Association of Food Chains. NAFC represents approximately 250 retail food companies. NAFC members operate from 2 to 2,000 stores, and 60 percent of the association's membership operate 10 or fewer stores.

It is the main purpose of my testimony to endorse the President's proposed blue ribbon, nonpartisan study of the food marketing system from farm to table, as advocated by him in his agriculture message of January 31, 1964, and as presently embodied in Senate Joint Resolution 71.

The association and its membership endorse the proposal out of great pride in their industry, its accomplishments, its contributions to the well-being of all the people of the United States, and its dynamic role in helping to build a strong economy and a strong people.

Because of its pride in its achievements, the industry believes that it has everything to gain from an honest, fair-reasoned and objective examination. The facts are such that a study of this kind, made by the best and most competent men in America in both public and private life, can reach no other conclusion but that food retailing is today the most competitive and efficient part of the agribusiness community and that its services to consumer and producer alike are unparalleled in American industry.

Senator MCGEE. May I say there, I heartily endorse the thoughts that you have generally expressed there. It is that marvelous phe-

nomenon, the food chain and supermarket, that leads us to hope that we can keep it on a high, constructive plane, to make sure that we are, as a people, leading it and all of its consequences where we think it serves the best interests, rather than letting this phenomenon lead us. I think it is a very good point.

Mr. ADAMY. Thank you, sir.

I will not take the time of the committee today to refute each of the multitude of misleading and inaccurate statements that have been made against food retailers by some previous witnesses before this hearing. I would, however, like to make three positive points about food retailing in the United States today. They are:

1. Far from being unduly concentrated, food retailing today is one of the least concentrated of all American industries. All the corporate food chains in the country—using the Federal Trade Commission's definition of a "chain"—11 or more stores—account for only 41 percent of total retail food sales and the 10 largest companies in the industry have a smaller total share of market today than they had 15 years ago. The slight growth of corporate chain market share has resulted entirely from the entry of new firms into the corporate chain picture. Since, as is well known, ease of entry is a hallmark of a competitive market, this development should be applauded, not condemned.

Senator McGEE. May I ask about about one point there?

Would this generalization that you made apply to each given market area? I remember reading some studies which suggested selected market areas where the concentration is quite different than the total national figures might be.

Mr. ADAMY. Senator, the total national figures are so overwhelming that I would think the vast majority of markets would be included in the general statement. Obviously with the multitude of markets—150-odd standard metropolitan areas in the country—I could not make that specific a statement.

I don't know. But I would believe it would most generally apply, sir.

Senator McGEE. What I had particular reference to was some of the market findings that were made by the Roosevelt committee on the House side some time ago. They select quite a number of the market areas for special study. Their point is that there seems to be a shifting of the ownership in given areas.

So that one or two chains might dominate an overwhelming percentage of the market in a given area, but the same two chains wouldn't dominate in another area. I think those variables—

Mr. ADAMY. This would make for a highly competitive market. In every market there must be a leader firm. It may or may not be a chain, incidentally.

The same report that you referred to showed that it was well divided, about half of the market leaders were independent, and half were corporate chains, which would maintain the national statistics. So I think this general statement would very well apply to individual markets as well as to national markets, sir.

2. Far from profiteering at the expense of either farmers or consumers or anyone else, food retailing more than any other segment of the industry has passed the benefits of its unparalleled efficiency on

to the consumer. Food chain average net profit as a percentage of sales has declined every year for the past 6 years from 1.44 to 1.20 percent. Return on investment has fallen during the same period from 13.62 percent in 1958 to 10.7 percent last year. In view of these figures, it is obvious that charges of profiteering on the part of the Nation's food retailers are preposterous.

Senator McGEE. Again, if you will permit me to raise a question as we go along.

Mr. ADAMY. Certainly.

Senator McGEE. Each of the top 9 or 10 chains, at least according to material which has been submitted here, has substantially increased its assets year after year.

Mr. ADAMY. Sir, I don't think that is quite complete. What they have done—most of them, not all of the top 10—is increase their sales, which are not assets.

Senator McGEE. We had some information submitted which suggested that their assets increased steadily.

Mr. ADAMY. But it is not true. However, I wish it were true. It would be healthy for our country, our economy, and it would be salubrious. It has not been true during the last 15 years.

Senator McGEE. Maybe we could have that supplied for the record.

Mr. ADAMY. I gave you a report this morning which I will refer to in a minute from Progressive Grocers magazine which includes those figures, a collection of statistics which I thought you would find helpful.

Senator McGEE. We will search the record at that time.

What about the profit increases in this same interval? Again the suggestion was made to the committee that the profit increases by some of the chains have been rather steady.

Mr. ADAMY. There have been some individual companies that have had a gratifying increase in earnings, true. But the industry as a whole, as I indicate here, has had a 6-year decline, a dramatic decline, from 1.44 to 1.20. This is a valid measurement of the total industry's position.

Competition being intense, and pervasive, this does apply to all the companies. The individual has a role in American life. And so some companies by their individual abilities have exceeded the national averages, or I might indicate it the other way around: Any average must indicate there are those above it as well as those below it.

Senator McGEE. Yes. The preceding question that I asked you, I was recalling from memory. Counsel has advised me that what I was referring to was the study that appeared in Fortune magazine last summer that did suggest that the assets of the larger chains had shown a steady increase over the past several years.

Mr. ADAMY. Assets?

I beg your pardon. I misconstrued your question.

Of course, that would be true. But that would be normally true of any continuing company. Not necessarily even a successful company, sir.

Senator McGEE. That is the reason I raised it.

Mr. ADAMY. The more important question I would think would be as to the earnings on assets, which have had this 6-year decline.

This would be a more meaningful figure. The appreciation of assets, total capital in the business, would not be as meaningful in my opinion, sir.

3. Far from burdening consumers with high costs, retailers have reduced their costs of doing business—and their operating margins—during the past three decades by 30 percent. This has been one of the most important reasons why the cost of food to the American people has risen less than any item on the consumer price index but apparel. And it is one of the most important reasons why, when the tremendous increase in wages experienced by American workers during the past 15 years is calculated in, food costs have actually declined by more than 32 percent since 1947 to 1949.

Senator McGEE. Do you mean "actually"?

Mr. ADAMY. Real decline. Real income, in terms of real income.

During the period since 1947 to 1949 there has been a 24-percent increase in the absolute cost of foods.

Senator McGEE. I was referring to your word "actually." They haven't "actually" declined.

Mr. ADAMY. Is real income actual? Is real savings actual? I would think so.

I carefully used the word, because I believe it to be true.

Senator McGEE. All right.

Mr. ADAMY. This means, as other witnesses have pointed out, that the American people today spend less than 19 percent of their after-tax dollars for food, the smallest percentage spent for food by any people in any country at any time in history.

Sir, I would like to add to this, that if the American people were to eat today the same kind of food, the same quality of food, as they ate in 1949, this figure would be less than 14 percent. So part of this represents an increase in the diet of our people, which is another salubrious effect.

This is the record of growth, competition, and service in the public interest the proposed blue-ribbon study of food marketing commission will find when it examines the retail part of the food industry.

President Johnson in his agriculture message stated that 100 corporate, cooperative, and voluntary chains account for approximately 50 percent of the total retail food sales in the United States. Figures published recently by Progressive Grocer magazine—copies of which are submitted for the information of the committee—document this statistic for 1963.

It is doubtful that in any other industry it would be necessary to probe as deeply as 100 firms to accumulate 50 percent of the total sales volume, and we submit, therefore, that food retailing is among the least concentrated American industries.

Indeed, Willard F. Mueller, now Chief Economist of the Federal Trade Commission, studied this precise question in 1958, and his conclusion was made part of the report on the food distribution industry that was published by the subcommittee of the House Committee on Small Business headed by Representative James Roosevelt. Dr. Mueller concluded in part that:

Despite the increased concentration * * * grocery retailing in 1958 was much less concentrated than most other American industries * * * the structure of

the buying side of grocery retailing appears to be characterized by a fairly large number of large- and medium-sized chains or affiliations of independents and a very large number of smaller firms. Economic theory suggests that such market structures severely limit interdependent pricing behavior; that is, this large number of firms would encourage * * * many buyers to behave as if their individual market behavior had an insignificant effect on market conditions * * * any price leadership practiced in buying products sold in national and large regional markets is essentially the competitive barometric type.

Since Dr. Mueller made his study, 348 firms have entered what is considered the corporate chain part of food retailing alone, there has been no meaningful increase in the share of market accounted for by all of the corporate chains, and the 10 largest chains have lost share of market. It is impossible under these circumstances to conjure up anything even remotely approaching a monopoly position, or a situation in which any firm or group of firms can effectively administer prices.

Senator McGEE. If I may interrupt here to say that the entry of new firms into the market has been a healthy thing. The numbers of small groups that have gone out of the market, the small "Ma and Pa" grocery store, that type of institution, has been in the tens of thousands. No one here has suggested, and I don't suppose anyone really intends to suggest that it would be desirable in the public interest, ever to roll it back. What you are saying here, in quoting from Dr. Mueller, is that given the chains' complexities in our country our concepts of what is big enough and what is too big are continually undergoing change; that with the emergence of the larger super-markets we are making gains we could not have realized in other ways, and I think it is a very valid point that Dr. Mueller made.

Counsel has just handed me another section from Dr. Mueller's report in connection with the same quotation that you have supplied the committee, in which he goes on to suggest, however, some reservations about the implications of this very phenomenon, without prejudging. I think it might be useful here, in this context, if I read this short paragraph or two into the record, because I do think it keeps it in perspective.

The conclusions that you have been referring to concerning the kinds of competitive behavior implied by the market structure of the buying side of grocery retailing should be qualified, Dr. Mueller says, in several important respects.

First, they apply only to products sold in essentially national and large regional markets.

he says—

it seems likely that market concentration in buying is great enough to confer potential power on grocery retailers in their relationship with their supplier.

And then his second reservation to those same conclusions is that—

These generalizations apply only to the relative market power these structures confer upon retailers in buying from firms which have no significant degree of market power in selling; that is, suppliers which operate in competitive market structures in selling. Of course, retailers—

he goes on—

may have some market advantages in buying in such markets if they are buying from relatively uninformed sellers, but this advantage is not a function of market concentration but rather from superior market information.

And then his last reservation, his third :

The above influences—

Dr. Mueller says—

are based only on the relative size and market concentration variables of market structure. Even though they lack market power based on market concentration, large grocery retailers may still improve their position vis-a-vis their suppliers because of their ability to manipulate to their advantage the vertical integration and product differentiation variables of market structure. It is our hypothesis—

speaking now for this report that he has prepared—

that much of the shift in the balance of power between retailers and their suppliers is not the result of increased market concentration but rather is directly attributable to the increasing ease with which grocery retailers can integrate into grocery manufacturing and can develop their own brands.

So what he is saying again is that in this very constructive growth, there are reasons to view it cautiously and with the thought of constructively examining them critically to measure other impacts that it may have.

I am grateful to the counsel for suggesting the accompanying paragraphs to the paragraph you quoted.

MR. ADAMY. Senator, just that reason is one reason we endorse this Commission. It is good for our country to look into it. Let me remind you—on the three points of his reservations, the existence of a local market—that the advent of hard-surface roads, good trucks, and better transportation has a rapid tendency to create national markets in our country. This is good for the producer of the products of our Nation. And I think that this is, in large measure, solving itself.

On his second point about market information and knowledge, I am proud of the work that the Department of Agriculture is doing in this area to equalize knowledge for all factors in the market. I think that this is in large measure being solved.

I think that since 1958 the amount of vertical integration has not borne out his hypothesis. I don't argue his possibilities, but I would say that history, over the last 6 years, has not borne him out.

However, it is well for such a commission to look into these facts. We would be proud to participate in a look at all of these facts.

Senator McGEE. That is a good point.

MR. ADAMY. On the selling side, Senator, of the competitive market, you talked about the decline in the number of stores in the country. This is true, and it is one of the things that should be established by such a commission, for the decline in number of stores is universal. For example, in 1946, when we all came home from the war, A. & P. had about 15,000 stores. Today they have 4,000. So a great many of the small stores that disappeared from the American scene are not the old "Ma's and Pa's." Also some disappear by virtue of bankruptcy and failure because of economic inefficiency. In the last 2 or 4 years we have lost two major companies. So that inefficiency or inability to compete in the market is not restricted to the small, I would add. And the Federal Trade Commission in its report showed that not only are the smaller companies growing faster than the larger companies, the newer companies are growing faster than the older companies.

So that you do have a tendency toward an evenness in the market and competitiveness between large and small.

Senator McGEE. I recall that in the Mueller report it is suggested that the largest chains have continued to grow. The top 20, I believe, was his figure. Some of those that have come in from the bottom have had some difficulties, too. There has been a steady growth in the larger ones.

Mr. ADAMY. Again, Senator, it is a little problem of semantics. The absolute sales have grown, that is true. A. & P. has every year but the last year increased its sales, for example. As you know last year it did not increase its sales. Other than that it has. But during recent years its share for market declined from almost 11 percent of the national market to less than 8 percent of the national market.

So that inversely it must be that the smaller companies, having grown at a faster rate than the larger, have got more of the market.

This, I think, is a healthy competitive situation. I think the bigger companies will grow. If they would grow a little faster it would be even more healthy for our country.

Senator McGEE. I wasn't suggesting there was anything wrong with growth. This could be good.

Mr. ADAMY. I don't want to spill any blood for the largest companies, you understand. They do all right for themselves.

These are all points that must and should be studied long and hard and critically by the proposed Commission. Nothing is more vital to the American people than is the maintenance of a healthy and competitive food industry, dedicated to the service of all the people of the United States.

Much has been said during the course of these hearings about current retail practices regarding beef. I would like to spend a few moments today clearing up some of the misunderstandings that have developed about retail beef prices during this time of crisis for the American cattleman.

First of all, I want to make it perfectly clear that retailers as an industry have reflected every penny of the decline in the acquisition price of beef.

Senator McGEE. Reflected every penny of the decline of the price of beef? Didn't I read in the Washington Post, the statement from a member of the industry that it was the continued increase in the fixed costs of wages, rent, and transportation that accounted for the increased retail prices of beef? I would question your assertion here that every penny of the decline is reflected by the industry.

Mr. ADAMY. The question asked, and the response was to a question regarding spread, sir, rather than absolute price. As I will indicate here in a minute, it is very difficult, maybe impossible, to establish what is the spread—unless you can establish what is the retail price. And I do intend in my statement to—

Senator McGEE. That struck me as a rather forcible generalization.

Mr. ADAMY. It was intended to be forcible and I do mean it. It is my best studied judgment.

One retailer in Washington, D.C., pointed out in a letter to Representative W. R. Poage, who had asked him about his prices during a specific week last month, that—

our retail beef prices averaged about 11.6 cents per pound lower than those on the corresponding Friday of 1963. This is equivalent to a year-to-year reduction in our retail beef prices of about \$8.75 per hundredweight of carcass. This retail price reduction was made at a time when [our] cost on U.S. Choice car-

casses purchased during the week [in question] was only \$2 per hundredweight lower than those purchased during the corresponding week of 1963.

A complete study of retail meat operations in 46 chain supermarkets for which prices were collected in December of 1963 and January of 1964 was made by McKinsey & Co., the well-known management consultant firm. During the course of this study, McKinsey found that the typical retailer—on the basis of actual invoices and sales data—was selling beef for an average price of slightly more than 54 cents per pound, on a carcass equivalent basis. This resulted in a net operating loss to the typical retailer in the study of slightly more than 1 cent per pound.

Senator McGEE. I raise this point on your closing sentence of that paragraph. You say the typical retailer was losing slightly more than a cent a pound——

Mr. ADAMY. On beef.

Senator McGEE (continuing). On beef that was sold. We were told that the retailers spend about a hundred million dollars advertising beef.

Mr. ADAMY. Right.

Senator McGEE. I presume that—trying to add this up into the kind of logic this represents in merchandising—if you spend a hundred million dollars in advertising beef so that you can lose a cent a pound on it, where do you come out? How do you explain this to the layman, that you can afford to spend a hundred million dollars advertising losing money in beef?

Mr. ADAMY. We did, we do, and we will.

Senator, this is truly an interdependent industry, from farm to table. It is truly is. It is essential for the retailer that there be a progressive farm economy. The American cattleman is in trouble. There is a hopeless oversupply of beef at the moment. The only solution to this problem of the beef economy is moving into consumption of huge amounts of meat.

It is to our advantage in the spirit that, as a retailer would say, "the first loss is the good loss." To get this over with, to aid the cattleman by moving as much beef as promptly and as effectively as possible, to restore the supply-demand balance, then we, too, will make money. But there is no profit for anybody in a totally depressed market such as we face today. And this really is the truth. It makes sense.

I would like to consider it enlightened self-interest because I am very proud of our people. But nevertheless it makes hard, cold dollar-and-cents economic sense. You only make money on taking that first loss and getting out of the situation. As long as we have this oversupply we, too, will continue to lose money, as are the cattlemen.

Senator McGEE. You make a very interesting point on that, particularly in the vernacular of the promotion of sales. But the spirit in which it is given is appreciated.

Mr. ADAMY. Thank you, sir.

Senator McGEE. If we could step that up a little more, that advertising campaign, so that we will lose a little more, I think the cattleman will be happier.

Mr. ADAMY. I am not sure he would, sir.

Senator McGEE. I am being facetious.

Mr. ADAMY. I know you are.

Senator McGEE. It is an important point you make.

Mr. ADAMY. How much can we consume? Last year's 95 pounds was a tremendous amount of beef for the consumer. In other countries, 121 pounds per capita consumed in Australia is a goal to keep in mind. Remember, they don't eat nearly as much pork or poultry or other products as we do in this country. Our total consumption of red meats exceeds that of any other country in the world. So we are approaching an optimum point, which is of grave concern to all of us.

In view of these facts, why do fairminded men and women charge that retailers have not passed on the obvious cost reductions? There are two answers, and both are centered around the practice of retail specializing.

First of all, it is impossible for anyone—student, casual observer, or governmental agency—to calculate average retail prices without knowing how much of a given cut moved at the special price and how much moved at regular price, plus how much of one cut moved in relation to other cuts moving at different prices. Here is an example:

If a casual observer goes into a store and finds that sirloin steak is selling for \$1.10 per pound and chuck steaks are selling for 50 cents per pound, he makes the calculation that the "average price of beef" in this particular store is 80 cents per pound, since that is the average of these two prices. But if this same store sold three chuck steaks for every sirloin steak sold, the actual average return to the retailer would be 65 cents per pound—I have used the term "return to the retailer"—a difference of just under 20 percent. Since casual shoppers and the witnesses who have previously appeared before this committee do not have these special prices and movement figures, it is impossible for them to testify knowledgeably on the subject of retail beef prices.

Senator McGEE. May I inject a thought here in defense of our previous witnesses. It has been my impression that we have had some pretty knowledgeable witnesses here. I don't think I could quite, if I take your meaning there accurately and correctly, agree that our preceding witnesses have been without knowledge on this factor. The Secretary of Agriculture, for example, is well versed in this business. And we have had specialists in the meat business who have testified.

Mr. ADAMY. I don't want to be disrespectful about the previous witnesses. My point is that this is knowledge of movement. You would have to have the knowledge of the tons moved by each individual chain at a given day, at the special prices of that given day.

This is very specialized knowledge that would not normally be available to the Secretary of Agriculture. With no disrespect or no minimization of his knowledge or ability I would make this point very clearly.

In order to make this determination of a retail price, you must have an absolute knowledge of the tonnage moved at given prices. This is not readily available to either Government or to these other witnesses who have been here. And I do not mean to be disrespectful to them nor their abilities in saying this. This is an additional factor that is difficult to obtain.

Senator McGEE. It would seem to make it all the more imperative that perhaps that kind of information ought to be available then to the President's Commission.

MR. ADAMY. As I will indicate in a minute, we are not only aware it should be made available, we are going to make it available regularly to the Government. We are doing everything we can.

The second reason why reasonable and honest people fail to recognize actual retail price reductions is that these effects of specializing are not reflected in Government statistics, either.

Without appearing too critical—let me repeat that—without appearing too critical, our calculations indicate that USDA overstates retail beef prices and returns to retailers by 8 to 14 cents a pound, depending on such variables as the area of the country being measured and the extent of specializing.

During normal periods 70 percent of the shopping—and 70 percent of the movement of the average supermarket product—is done on weekends, often at special prices. Yet the Bureau of Labor Statistics—whose figures USDA uses for its estimates—collects its price figures on the Tuesday, Wednesday, and Thursday of the week nearest the 15th day of the month, and thus often does not reflect prices that are in effect during the time when most people shop and when most of the product moves.

Since USDA figures are based on BLS figures, they also fail to reflect much of the impact of special prices. BLS figures also fail to reflect the fact that 26 to 33 percent of the average carcass received by a retailer is fat and bone that cannot be sold to consumers. USDA has a set of figures that reflect this waste, but to the extent that these figures, too, fail to reflect the impact of specializing, plus the extent to which these figures fail to reflect the fact that certain cuts move at a different relative rate than the way in which they occur in the carcass, they also overstate actual retail prices.

USDA statisticians are well aware of the shortcomings of their procedures and calculations. We have been discussing the problem with them for some time and we are now attempting to line up retailers to supply them with meaningful price and tonnage figures that they require in order that they might make more accurate calculations.

Senator McGEE. I think that is very hopeful. May I say there that I was talking with them the other day about the shortcomings in their procedures and their calculations, the firmness of the figure estimates that they might be able to make. One of the points they made to me is that they certainly would be the first to agree that there are shortcomings in their data on retail beef prices.

But they would disagree, as they did in their expression to me, that those errors are as great as 8 to 14 cents per pound. I think they would not only quarrel with that but they went on to suggest in my conversation that the miscalculations go both ways, that there are occasions when their own published prices are too low on their estimates, as well as too high, the figure that you suggest. Therefore they contend that in attempting to reconstruct the actual carcass cost, there is still a great deal of settling in that has to be done on the figures. But I think in fairness, their position that error isn't all one way and that error runs both sides of that middle line, is well to keep in mind.

MR. ADAMY. I would not want to appear so "smart alecky" as to give the impression that we were omnipotent in this area. But we

do have an advantage. We have tonnage movement figures. We have the value of the McKinsey report just done, to achieve these figures. We think they are very valid.

This is not critical of the Department, as I have stated. They have been denied the privilege of the full information to make these calculations with. Because we don't use BLS figures as operating statistics—they are not of value to the industry as such—we have never concerned ourselves with these figures. When it became apparent that people were going to use these figures to establish an absolute price level we became aware of our own shortcomings in not having worked with the Department in supplying this knowledge. We certainly will correct that. It is important that the country have the full knowledge.

Senator McGEE. It is precisely this point, this type of factual disagreement, that stresses again the importance of the Presidential Commission having available all of these approaches in fairness to all of the groups involved.

Mr. ADAMY. Exactly, sir. I am very confident in the work we have done in achieving these figures or I wouldn't have presented them to you. On the other hand, I do think there is need for objective review of these figures to be established by a nonpartisan blue-ribbon competent group.

When you realize that two of the largest retailers in the country are now moving an average of 80 percent of their beef tonnage at special prices and that in the case of one of these companies the average price per pound is under 50 cents, you can see the magnitude of the problem at this time.

It is vital to the issue to recognize that last year beef consumption set a new record of more than 95 pounds for every man, woman, and child in the United States. This was an increase of 6 pounds per person—or 7 percent—over 1962, or 1,140 million (b) pounds in all. This was accomplished in the face of a 6-percent increase in broiler supply and a 5-percent increase in pork supply. Quarrels over precise retail prices aside, it must be obvious that cost-conscious shoppers would not choose beef over other low-cost competing meat products if beef prices did not represent excellent relative values to them.

Senator McGEE. Would there not be one other ingredient in there, in that calculation—just trying to second-guess human nature—and that is that the steadily rising per capita income figure in this country does belong in the picture? In other words, they would be a little less critical of a little higher price for beef if their incomes had been going up, as they have been steadily across the board.

Mr. ADAMY. Yes, sir.

Senator McGEE. I don't want to detract from the merchandising contributions that the chains have made on trying to keep prices as low as possible, but I do think there are other factors to explain it.

Mr. ADAMY. There is also a correlation between education and ability to be a good shopper. So it isn't always exactly that. Nevertheless the affluency of our society has added to this picture.

Senator McGEE. Would it be fair to say that even lower beef prices in the stores might attract more buying? In other words, the beef still isn't over abundant on the dinner table, and consumers could eat a little more.

Mr. ADAMY. That is what I said before, sir, as to the optimum amount of consumption.

Senator McGEE. You suggested before, I thought, that consumers were reaching a saturation point.

Mr. ADAMY. I am worried. I don't know this. This is beyond the ken of my knowledge, and I don't pretend that I know this. But I am worried. The largest consumption of beef by any people in the world today is 121 pounds in Australia. This year we will go at least 100 pounds. Yet we have the affluency of a tremendous amount of high quality poultry, turkey, pork in this country, in addition to beef.

I put out a bulletin last week to our membership in which I pointed out the problems that the poultry and turkey people are having and asked them, while they keep up their help for the beef people, to not forget our poor friends on this side, because it is just robbing Peter to pay Paul. You don't want to kill poor old Peter—in this case, the turkey and poultry people. Poultry production today is about 9 percent over last year. So that you have a massive situation.

This must play a part in the ability of the people to consume more beef. Because it is not only the absolute price of beef, but its relationship to the price of other products. I can make a meal out of macaroni and cheese. The fact of the matter is, I have.

Senator McGEE. You are speaking of one of my favorite dishes.

Mr. ADAMY. I hate to say this in time of crisis for beef, but it is true.

Senator McGEE. I must talk to the wrong people, but I have certainly had the impression that there are a great many individuals that would give a great deal if they could have more beef to eat. As a matter of fact, they have not been able to afford it. And they are eating "tube" steaks, as they call them, instead of cube steaks, the "tube" steaks being frankfurters.

Mr. ADAMY. I am sure that happens, sir, and I am sure that has to do with the economics of individuals rather than with the supply of beef.

Senator McGEE. I hate to think the ceiling is in sight on human consumption of beef.

Mr. ADAMY. The cost of beef has increased the movement of beef by a tremendous amount. Whether it will be possible to increase it further by a further decrease in price is a question in my mind. Each of us has a 5 quart pail, and once it is filled, it is filled. If it is filled up with macaroni and cheese there is no room for beefsteak, either. I might rather have beefsteak than macaroni and cheese, and most people would, I presume. But once it is filled up, it is filled up.

Senator McGEE. The numbers of letters that I have received from all over the country, from total strangers—not the ordinary mobilized lobbying letters that we sometimes get on some questions—suggest that this is a very sensitive point with the housewife. She would give anything, as many of these letters say, if she could have beef twice a week in her family budget rather than once a week. I think we have a large untapped market there if we could make it available.

Mr. ADAMY. I don't want to disagree. I am about to buy a new car. I wish I could find a way to buy it for a thousand dollars less, too. This ignores the economics of the auto manufacturer and the needs of the economy. But I would love to be able to buy a car for about a thousand dollars less.

I am sure every one of us would like to be able to buy beefsteak for 10 cents a pound. It might destroy the whole economy which produces the beefsteak, which has improved the quality of the beefsteak and, which guarantees an assured quality and quantity for the future. Nevertheless it would be nice for me as an individual. And to express this individualistically I might do it. To talk about it in the sense of the economy of our country, I don't think is really realistic, sir. I think the prices are the most reasonable that could be achieved at this time.

I am indeed proud of the contribution that all retailers of America have made. I think they can stand pridefully before the people of which they are a part in this country.

Excuse me for getting excited about this but I feel deeply about it. Senator McGEE. Of course.

Mr. ADAMY. The plain fact is that just to maintain this record 95 pounds per capita consumption in 1964, the Nation needed an increase this year of about 500,000 feeder cattle. But on January 1 there were actually an additional 1,875,000 feeder cattle in the supply potential—1,375,000 head more than were needed.

Until these animals are removed from the supply lines, no long-term price improvement for producers can be expected. Cattlemen must market cattle at lighter weights and cull breeding herds. For their part, retailers will continue to offer consumers beef at prices that reflect a true consumer value and aid the producer by increasing the total movement of beef.

Senator McGEE. I am interested in your professional judgment there, Clarence. Would you say that this is a larger factor than increased imports in depressing the cattle market at the present time?

Mr. ADAMY. To quote the report from Iowa State University, yes. They count it four or five times the import factor.

Senator McGEE. The imports problem is very severe.

Mr. ADAMY. The domestic supply is the key to the problem. In my opinion it is, and I am supported by some authoritative sources. I don't pretend to be the world's greatest expert in this area, so excuse me.

Senator McGEE. You quote a good source, Iowa State, where I was once a professor. I think it is an excellent source.

Mr. ADAMY. I didn't realize how great a source it was, sir.

If the supply potential is fully realized this year, consumers will be asked to raise their beef consumption to around 100 pounds per capita, another 5 pounds per capita over 1963 and 11 pounds over 1962. This can be done unless consumers become convinced by loud and false cries of profiteering that beef is not a good value in the supermarket's meat case. We hope they will not become convinced of this, because it is not true. Retailers—through their advertising and specializing—will continue to do their part in our joint effort to demonstrate these values.

The food industry is truly an interdependent industry. The retailer depends upon a healthy and progressive agricultural and manufacturing community for its supplies. Producers and manufacturers depend on a healthy and progressive retailing community for outlets to consumers. Retailers cannot live without them, and they cannot live without retailers.

This is a fact of life in the food industry. Yet there is no denying the fact that great changes have taken place at every level of the food industry since World War II. These changes—although providing more and better food for less money—have, in many cases, created fears, doubts, confusion, and frustration in the hearts and minds of many people in the industry, in Government and among some consumers.

We do not find it either strange or improper that Congress would want to direct a thorough and objective examination of these changes that have taken place in the industry, or the effects of these changes on the vast majority of Americans who depend on the industry for their food, or upon individual members of the industry itself. Having nothing to hide and nothing to fear except lack of knowledge, we welcome the study. We will cooperate to the best of our ability to make it truly responsive to the needs of our Nation.

Senator McGEE. This is a very interesting and constructive statement, Mr. Adamy. We are grateful to you for sharing with the committee your own expert views on this, as well as that of the groups that you represent. Likewise, I would think that if and when the President's Commission comes into being, that they will want to go into much greater detail on the wealth of information and experience that your group has, because only with that can they get sufficient light on these troublesome questions to arrive at the right answers.

I want to commend you for your appearance here this morning.

Senator Morton, do you have some questions?

Senator MORTON. Briefly, Mr. Chairman.

Mr. Adamy, you were discussing with the chairman the question of per capita consumption of beef and the increase between 1962 and 1963 was an impressive figure and I believe that if it does go to 100 pounds in 1964 that, too, would be a most impressive figure. But of course there are many sections of this country where per capita income is a lot lower than in the rest of the country.

I am thinking of the 15 million people who live in the area that we call Appalachia.

The President yesterday sent us a message on this subject. The bill was introduced to implement a program designed ultimately to do something about this. In the President's words, "to make taxpayers out of tax eaters."

If this program works, and if we do increase the per capita to consumption in this area, and if we do get roads into this area, unquestionably the beef consumption in that area would increase substantially.

This could give us a general increase in per capita consumption by bringing our war on poverty in Appalachia and these things to a successful end so that the people in the lower third of the income in this country could then be able to have beef perhaps twice a week or even once a week where they don't have any at all now.

You agree with that generally, don't you?

Mr. ADAMY. I agree with it and I certainly pray for it.

Senator MORTON. This is no fault of lack of supply for these people. It is a lack of their own ability to purchase it.

Mr. ADAMY. That is true, sir.

Mr. MORTON. If this is a bargain, if beef is such a bargain, all food prices, and beef in particular, how do you account for the fact that from 1947 to 1949, which was taken as the base period, that the farm-retail spread has increased by \$23 billion?

Mr. ADAMY. Excuse me. There is so much talk about spread that I anticipated this question and have some figures available. Let me read this.

On the question of price spread and rising prices, a report made public by the House Agriculture Committee early this month makes these points.

Farm food prices increased \$26.2 billion from 1947 to 1963. Of this increase, 88.5 percent, or \$23.2 billion, went to the middlemen—retailer, manufacturer, shipper, and people of that kind.

Of this \$23.2 billion, almost \$10 billion was expended by the middleman for rising labor costs. This was caused by raising wages and increased employment in the food industry. Nearly \$10 billion more was spent by middlemen to pay for such things as packaging materials, containers, and other physical things involved in a high level of manufacturing in the industry.

Increased charges for rail and truck transportation claim more than \$2 billion of the remaining part. Half a million dollars of whatever was left was paid by the middlemen in the form of higher corporate taxes.

And the only component part of the marketing bill or spread during that period that did not increase was corporate profits, which for the retail segment actually declined.

On the subject of beef price spreads, most of it has been caused by increased amounts of wage costs expended by retailers in preparing carcass beef for retail sale. Most beef is now sold self-service, of course, and must be wrapped. There has been an increasing amount of trimming of fat and bone which means that a retailer can sell less and less of what he buys. This is particularly true now as more and more heavyweight cattle hit the market. There has been an increase of about 100 percent in food chain wage rates.

If all of this had been passed on to the consumers, the spread would have increased by all of it.

Increased efficiency has taken care of part of it—but not all of it.

There has been an increase in spread.

It is impossible for USDA to estimate the actual spread, what it is per pound—or its actual increase—since USDA doesn't really know what retail prices are.

In normal years when beef supply and demand are roughly in balance, retailers have fewer beef specials, and there is less distortion in USDA figures. In years like 1963 and 1964, when there has been an abnormal amount of beef specialing, USDA's retail figures are vastly overstated.

Thus we get a statistical increase in what USDA calls spread during a year in which there has probably been a decline in spread. Since this is true of many farm products, spread figures should never be used as a precise measurement of anything at all.

Thank you for letting me read that.

Senator MCGEE. May I ask a question on that one? You just mentioned, Mr. Adamy, that among the factors that may account for whatever the word "spread" means is a 100-percent wage rate increase.

Mr. ADAMY. Since 1947-49.

Senator MCGEE. As of 1947-49. The testimony coming here from several groups, as a matter of fact, is that indeed, while the wages per hour have gone up, that because of increased productivity of an individual laborer, and the mass production and new techniques in the servicing of meat, that actual total wage costs in relation to the item that is now being sold has gone down. Isn't that a more realistic analysis of it?

Mr. ADAMY. Not really, sir. It is true, as I indicated, to a great degree. We certainly do have increased productivity and therefore the holding of labor costs versus wage rates. Labor costs has not increased a hundred percent as wage rates have. So that this is all to the good. McKinsey & Co. is making another study.

Senator MCGEE. It is the wage rate rather than labor costs you are referring to.

Mr. ADAMY. Wage rates increased a hundred percent. This we are proud of. We have great and good people working in our industry and they should be well paid. They are.

Labor cost has not increased nearly that much. Increase in productivity being the answer. That we are proud of. Partly management, partly great and good labor.

Let me point out to you that McKinsey made another study. They made several. One of their overall reports to me was that during the last 3 years we have had a 5.8-percent increase in wage rates, and 2.4-percent increase in productivity. So that this is not all to the good. I don't think it has always been this bad. And I think there have been years when productivity has outstripped wage rates. This is an indication of the nature of the difference.

Again this is a very good area to be looked into by an objective non-partisan group. We would like this established.

Senator MCGEE. The testimony here has been quite contradictory.

Mr. ADAMY. I know that.

Senator MCGEE. I want to be sure we are talking about the same thing, at the same time, in the same language.

Mr. ADAMY. This well could be the area of difference.

Senator MCGEE. As you recall when I was visiting with some spokesmen for your industry a number of evenings ago, they were disagreeing with each other about what they were talking about. It is no wonder the housewife is confused. Therefore we can serve a real purpose if we can get this reduced to a common language that we all can understand and know we are talking about the same thing at the same time. I think it is important.

Mr. ADAMY. Senator, you can believe how important it is. There is not even a common definition of a supermarket or food chain. Statistics are weakened because of lack of definition.

Senator MCGEE. Thank you, Senator.

Senator MORTON. Isn't it true Mr. Adamy, that a lot of this change in the relationship between the farm price and the table price has come about because of the development of fancier products, if that is the word, semiprepared products, in the last generation? One would hardly recognize the methods or the products in a grocery store today and 50 years ago.

Mr. ADAMY. Not even 10 years ago. More than 70 percent of the products in the store today were not there 10 years ago. Rather than

use "fancier" products, I would use "better" products, "higher quality" product. When I was a boy, rickets, pellagra, and other deficiency diseases were common in the country. The increased quality of the food supply of our Nation has in large measure met this problem. A physical measurement to your question would be the figures by the Secretary of Agriculture.

Mr. Freeman reported 19 percent of disposable income is used for food today. If we ate the same food, quality—what your point is—that we ate in 1947-49, just a little bit ago, it would be less than 14 percent. So there is some measure of exactly what you are saying. So there is a dramatic increase in the quality of the American food supply that is reflected in part in this spread.

And for this I am proud and grateful as an American.

Senator McGEE. May I say, don't sell out the word "fancy" too soon for the reason that now even I can probably prepare a dinner, given some of the concoctions that are ready to go.

Mr. ADAMY. One measurement of this is that in 1947-49 the average American housewife spent 5½ hours a week preparing meals; today, an hour and a half. So that we have among the other things, the food industry as a whole—not just food retailers, everybody—has given to America 4 more hours of our wives time.

Senator MORTON. That is per day, instead of per week.

Mr. ADAMY. I beg your pardon. That is per day.

Senator MORTON. I would hate to eat what was cooked in an hour and a half a week.

I can remember as a child that my grandfather, who had a flour mill, had to subsidize a cooperage company. He didn't want to, but he had to do it because the fellow was going broke and there wasn't anywhere else to buy barrels. He shipped solid carloads of flour in 196-pound wooden barrels which weren't going to a baker but were going ultimately into a home. Everybody in the South in those days, 50 years ago, had a barrel of flour in the pantry, in the kitchen. Today I don't think there is a single flour miller left in the United States who packs a wooden barrel of flour. If there is I don't know where he is. And you go into the grocery store today and you buy 10 biscuits already made in a little cylindrical cardboard container, and this makes for a great spread between the price on the farm for wheat, let's say, and the price on the table for the biscuit. But the people want to pay for it, they want to pay for this service. They would rather do that than make the biscuits at home.

I noticed an advertisement in one of the Baltimore chains the other day. I was looking through the Baltimore Sun. It struck me. Three packages of biscuit dough for 25 cents.

I happened to have been associated with the company that developed biscuit dough. In 1935, when we had a real special on, it was three packages for 25 cents—1935, mind you. The price of wheat then as I recall was 90 cents a bushel against over \$2 today at the mill. The price of shortening has more than doubled. The price of the container I am sure has gone up by at least 50 percent since that time. And I am sure that the wage scale has gone up since 1935, much more than tripled. Efficiency all along the line has been able to keep that price down. Perhaps that retailer wasn't making very much because it was a good item as a leader.

That is an extreme example from a barrel of flour, 196 pounds of flour in a wooden barrel, to a little can of biscuits.

The same thing has been multiplied perhaps not as dramatically as that throughout the entire food field. I don't know what percentage of the grocer's business went through the refrigerated case even in 1947-49. But one problem that we had with this product that we developed back in the 1930's was that there wasn't refrigeration and it required refrigeration. This slowed down the development of this product until we got into these vast, enormous refrigeration capacities per store that you have today as compared to what you had 20 years ago. And this costs a lot of money, those refrigerator cases. They cost a lot of money to equip a store.

Mr. ADAMY. And maintenance.

Senator McGEE. And we read, Senator, in that phenomenon, change or revolution from the 196-pound barrel to the biscuits that are all but ready to consume in the grocery store, the major flour mills in this country right now are under indictment for price fixing. So it is not without its problems.

Senator MORTON. That indictment is on bakery flour only. I know they have been losing money on bakery flour. If they fixed the price, they fixed it too low. [Laughter.] And I say that as a stockholder.

Mr. ADAMY. Senator, not only has the food supply increased in convenience to the housewife, but also in variety. There are a multitude of biscuits in that case today. There are over 200 kinds of cake mixes—cakes my mother couldn't even make. So it is a tremendous convenience.

Senator McGEE. That is strong language, sir.

Mr. ADAMY. Mother is a long way away, so I guess it is all right. But it is very real. You have added a great many factors to the market by this development of higher quality foods.

Incidentally, Senator, I was interested in your point on the cost of operations. This decline in retail store earnings I think is a very serious matter, and there is a point at which the country starts to lose. The retail operator must make enough money to be able to develop the new procedures like refrigerated cases that you spoke about, so that he can provide ever-increasing outlets and markets for the producer and ever-increasing convenience and variety and bargains for the consumer. This takes money.

I personally—not supported by great studies—but my personal conviction is that 1.2 cents on a \$1 sale is not sufficient. This, too, should be a concern of this, our country. We must have a strong, viable, kinetic food retailing industry. And the way to have it, and the only way to have it, is for retailers to earn adequate returns.

I have some concern in this area. I count, and I am proud to count, on the ability of the individuals who make up this industry to find a way to meet their problems. This they will do. Nevertheless, it is a part of this same conversation.

Senator McGEE. My understanding of economics and merchandising is, I must say, very elementary. But as I understand it, your groups, as hardheaded business groups, with the incentive and drive that they have and the genius that they can command, don't generally calculate their economic growth or future in relation to the percentage of sales that they bring in. Isn't that correct? Given the mass-production techniques that you have now done so much to perfect, they

arrive at it on an entirely different basis than that. So sometimes it is misleading to the housewife or to a low-level economist like myself.

Mr. ADAMY. In my figures I use both return on assets and percent of sales.

Senator MCGEE. It tells quite a different story in one rather than the other.

Mr. ADAMY. No, sir. It would tell the same story. There are different factors. They are built on a different base. For example, today we earn 1.2 cents on a \$1 sale. We earned 10.7 percent on return on assets. It is the same figure. It is the same profit. It is the same amount of dollars earned in the end; right? It is just two different ways of measuring the same factor.

Senator MCGEE. Yes. I was thinking of the popular impression by the figures; 1.2 cents sounds so insignificant that they wonder how you hold on and are able to stay in business another year. Whereas the other figure is a rather legitimate business concept most people understand in terms of profit.

Mr. ADAMY. You are right. More businesses, many more businesses, use return on assets than use a return on dollar sales. However, return on dollar sales is an operating statistic in our business that is very vital to us. This is because of the low margin—the tightness, the critical tightness of it. This would not be true of an industry working on a broader margin. But we have a very critical point that we must be made aware of. So we use it. The reason we use it so frequently is because it is used every day.

Senator MORTON. Return on assets varies considerably between industries. Anyone who is an investment analyst recognizes this. He would recommend a stock in a chemical company, let's say, with a far lower return on assets than in a food chain company.

Mr. ADAMY. Right.

Senator MORTON. By the very nature of the business you have to have this huge investment per employee, as high as \$250,000 in some cases in the chemical field; higher than that I would assume today. So that obviously you can't use return on assets across the board and apply it to the A. & P. and Du Pont as being the same measure.

Mr. ADAMY. No.

Senator MORTON. You can use it within one industry, of course. But I think that the figure of percent of sales, which has been used for years in the retail trade among the packers, is a meaningful figure. There are others. I am not saying the other figure isn't also meaningful. Certainly it is a meaningful figure.

Mr. ADAMY. It is an essential figure to us, sir.

Senator MORTON. How many members are in your association?

Mr. ADAMY. 250 corporations.

Senator MORTON. How many stores, retail outlets?

Mr. ADAMY. Between 14,000 and 15,000.

Senator MORTON. That is the entire Nation.

Mr. ADAMY. Yes, sir.

Senator MORTON. I can remember in just the Old South alone we had, as one company, twice that many customers on our books, retail customers. What has happened? I know that the concentration is now in supermarkets. Have you any comments on the cause of this?

Mr. ADAMY. Thank you. I want to bring this up: There was a study made at Iowa University and another at Stanford as to the economies of scale in the food retailing business. Both of these studies

supported the thought that you can reduce the cost of doing business in food retailing in a store up to and above \$1 million per store per year. And this is the economic fact. We have an obligation to provide more and better food at less money. That means be more efficient. The demand is on us to meet the economists' scale. That means a need for larger stores. So since World War II the whole industry, corporate chain, and independent alike, have moved to larger stores.

My example a minute ago, A. & P., before World War II had 15,000 stores. Today 4,000. Yet they do twice as much business, because they have moved to the stores which do provide more and better food for less money for the people. This really is the simple response to it. These studies of economies of scale made at Iowa and Stanford are extraordinarily valid and document the experience of the industry. So the movement has been to the larger unit.

In addition to the force on us of economics to move to a large unit, the people, our people, you and I, have changed. Since World War II the growth of roads in our country has been fabulous, phenomenal—and cars. We are a mobile people.

The only monopoly in the food business was the country store where the tyranny of time and distance denied you the privilege of another shop. Today in your car you and your wife in your shopping area have up to five equally good stores to choose from to do your own shopping in. This of course makes for not only a need for larger stores but an ability of the consumer to take advantage of the larger store.

A study made last year shows that the average customer goes by one store nearer her home to get to a second store she likes better. So the consumer not only can, but willingly does, travel several miles to a store. And so that therefore because the consumer can, will, and wants to shop, and because the bigger stores provide us with the opportunity to do a better job, it naturally, obviously, came to pass, and it has happened throughout the industry.

Senator McGEE. You are looking at one of the best patrons of that psychology. I will spend a dollar's worth of gas to get a box of soap for 17 cents less.

Mr. ADAMY. I hope that is not really true. But we understand that does happen.

There are also people we call "tombstone shoppers" who shop only the ads.

Senator McGEE. You call them "tombstone shoppers"?

Mr. ADAMY. You have to have a little language in the business. That is part of the industry.

Senator MORTON. My experience is that you have to be almost a navigator to find what you are looking for in some of these great big stores. My wife called me the other day and asked me to stop and get a bottle of Wesson oil or something like that at the store on the way home. It took me a half hour to find the counter where it was.

Senator McGEE. Just look at the end of the rows where they have it alphabetized on the master reading chart and you can go right to the item.

Mr. ADAMY. You are giving away which store you shop at. There are indicators in every store. When you add convenience and variety, and a great selection to the stores we have, obviously, also added complexity. So that you have a counter-ploy of value to the consumer. We work very hard to try to please.

Senator MORTON. I want to say, Mr. Chairman, I think Mr. Adamy has rendered the committee quite a service this morning. I think the spirit of the statement and its content is excellent. I think he is to be congratulated. He said that Iowa was to be congratulated because you were there. I point out that I think Mr. Adamy has had some awfully good training. He worked for me for 2 years.

Senator McGEE. I would say that is a credit to both of you.

Mr. ADAMY. Amen.

Senator McGEE. I am not sure the sure the target was the correct one in those 2 years.

Senator MORTON. I am not sure of the results, either.

Senator McGEE. I have no more questions. I want to thank you again. I share the sentiments of my colleague.

Mr. ADAMY. Thank you, sir.

Senator McGEE. I want to put in the record at this point a statement from the American Farm Bureau Federation, in which they request to have their endorsement of the proposed Commission study on the record. They submit a statement to be submitted for the record and it will be included intact.

I also have a collection of telegrams and letters from other significant groups in the industry, or individuals in administrative roles, in State government and regional areas that have an interest in this study.

I ask that they be made part of the record.

(The above-mentioned material follows:)

STATEMENT BY JOHN C. LYNN, LEGISLATIVE DIRECTOR OF THE AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. We appreciate this opportunity to present the views of Farm Bureau with regard to Senate Joint Resolution 71, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

Farm Bureau is an organization of 1,628,295 farm and ranch families in more than 2,700 counties, united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity, and social advancement, thereby promoting the national welfare.

Farm Bureau supports programs designed to deliver to the consumer the highest quality food and fiber competitively priced, because we believe that net per family farm income can only be increased over the long run if we strengthen the marketing system.

We support the principles embodied in Senate Joint Resolution 71.

Food is the best buy in American today. Americans spend a smaller percentage of their disposable income for food than in any other country in the world. Whereas only 15 years ago 26 percent of our income was spent for food, today food requires only 19 percent of our income; and the variety and quality of the food being purchased today are much better than only a few years ago. This progress has been made possible through increased efficiency in the production and marketing of food.

This has been achieved in a system in which the major determinants have been competition governed by supply and demand factors. At

our most recent annual meeting the voting delegates of the member State farm bureaus expressed the following concern:

The reduction in competition resulting from the declining number of buyers, processors, and handlers of farm products enhances opportunity for collusion and necessitates effective action to avoid monopolistic practices in the marketing of farm products.

We are not asserting there has been any collusion or monopolistic practices, but the interest of farmers and consumers in preserving vigorous competitive conditions in food marketing warrants periodic study and review of the effects of rapid changes in marketing practices and structure.

In our opinion much of the impetus for these hearings has been generated by the decline in beef cattle prices. We think it is important that a clear understanding be had as to the principal causes of this decline.

During the past 15 to 18 months, the combination of increasing imports and substantially increased domestic supplies has resulted in a sharp reduction in the prices of cattle for slaughter, including dairy cattle which account for a substantial proportion of our total beef production. The following tables show what has been happening.

(Table follows:)

Selected statistics on the production, imports, supply, and consumption of red meats and poultry

	Beef and veal	Pork	Lamb and mutton	Total, red meats	Poultry meat	Total, red meats and poultry
In millions of pounds ¹						
Production:						
1958.....	14,516	10,454	688	25,658	6,043	31,701
1959.....	14,588	11,993	738	27,319	6,353	33,672
1960.....	15,835	11,605	768	28,208	6,390	34,598
1961.....	16,341	11,412	832	28,585	7,334	35,919
1962.....	16,311	11,841	809	28,961	7,132	36,093
1963.....	16,896	11,868	757	29,521	² 7,410	² 36,931
Percentage increase, 1958 to 1963.....	16.4	13.5	10.0	15.1	22.6	16.5
Imports:						
1958.....	909	193	41	1,143	1	1,144
1959.....	1,063	186	104	1,353	1	1,354
1960.....	776	186	87	1,049	-----	1,049
1961.....	1,037	187	101	1,325	-----	1,325
1962.....	1,445	216	143	1,804	-----	1,804
1963 ³	1,679	226	145	2,050	n.a.	2,050
Percentage increase, 1958 to 1963.....	84.7	17.1	253.7	79.4	-----	79.2
3. Exports and shipments:						
1958.....	49	118	2	169	66	235
1959.....	53	143	2	198	154	352
1960.....	56	137	2	195	206	401
1961.....	56	135	2	193	275	468
1962.....	52	131	3	186	299	485
1963 ⁴	58	192	2	252	216	468
Percentage increase, 1958-63.....	18.4	62.7	0	49.1	227.3	99.1
4. Supply available from production, plus net imports:						
1958.....	15,376	10,529	727	26,632	5,978	32,610
1959.....	15,598	12,036	840	28,474	6,200	34,674
1960.....	16,555	11,654	853	29,062	6,184	35,246
1961.....	17,322	11,464	931	29,717	7,059	36,776
1962.....	17,704	11,926	949	30,579	6,833	37,412
1963.....	18,517	11,902	900	31,319	7,194	38,513
Percentage increase, 1958-63.....	20.4	13.0	23.8	17.6	20.3	18.1

See footnotes at end of table.

Selected statistics on the production, imports, supply, and consumption of red meats and poultry—Continued

	Beef and veal	Pork	Lamb and mutton	Total, red meats	Poultry meat	Total, red meats and poultry
In pounds ¹						
5. Per capita consumption:						
1958.....	87.2	60.2	4.2	151.6	34.1	185.7
1959.....	87.1	67.6	4.8	159.5	35.2	194.7
1960.....	91.4	65.2	4.8	161.4	34.4	195.8
1961.....	93.7	62.2	5.1	161.0	37.8	198.8
1962.....	94.6	63.9	5.2	163.7	37.2	200.9
1963.....	100.2	65.5	4.9	170.6	37.8	208.4
Percentage increase, 1958-63.....	14.9	8.8	16.7	12.5	10.9	12.2

n.a. Not available.

¹ Red meats, carcass weight equivalent; poultry meat, ready-to-cook (eviscerated) basis.

² Preliminary.

³ Unofficial estimate.

Selected livestock prices

[Prices received by farmers per 100 pounds]

	Beef cattle	Hogs	Lambs
1958.....	21.90	\$19.60	\$21.00
1959.....	22.60	14.10	18.70
1960.....	20.40	15.30	17.09
1961.....	20.20	16.60	15.80
1962.....	21.30	16.30	17.80
1963 ¹	19.85	14.98	18.22
Percentage decrease, 1958 to 1963.....	9.4	23.6	13.2
Slaughter steers sold out of first hands at Chicago			Cutter cows at Chicago
	Prime	Choice	
1958.....	\$28.92	\$27.42	² \$16.54
1959.....	29.32	27.83	² 16.27
1960.....	27.82	26.24	15.00
1961.....	26.08	24.65	15.12
1962.....	29.81	27.67	14.72
1963 ¹	24.89	23.96	14.06
Percentage decrease, 1958 to 1963.....	13.9	12.6	15.0

¹ Simple average of monthly prices.

² Canner and cutter cows.

U.S. imports and exports of meat animals, fiscal years 1958-63

[In thousands of head]

Year ending June 30	Cattle		Sheep		Hogs ¹	
	Imports	Exports	Imports	Exports	Imports	Exports
1958.....	1,054	18	29	33	2	3
1959.....	1,082	34	32	19	9	2
1960.....	648	50	90	33	5	15
1961.....	656	32	26	31	4	10
1962.....	1,199	19	2	17	3	3
1963.....	1,235	19	20	52	3	4

¹ 200-pound equivalent.

Mr. LYNN. In view of the rather substantial increase that has occurred in the total supply of domestically produced meat and poultry, increased imports quite obviously are not the sole cause of the drop in cattle prices, but they have been a contributing factor.

The present high level of domestic meat production reflects the operation of the well-known cattle and hog production cycles, revolutionary changes in poultry production methods, and the Government's policy of dumping CCC grain stocks to penalize noncooperators under the 1961 and 1962 feed grain programs.

Cattle producers have been building up their herds for several years in response to relatively favorable prices, and a buildup in numbers must, in time, lead to an increase in marketings. In the present case this natural development has been aggravated by a government feed grain sales policy which encouraged heavy grain feeding.

The following table indicates the extent to which CCC sales of corn, the principal feed grain, were increased under the so-called "emergency" feed grain program:

(Table follows:)

Commodity Credit Corporation sales of corn for domestic use, by quarters, 1956-62¹

[Thousands of bushels]

Year beginning October—	October- December	January- March	April- June	July- September	October- September
1956.....	16,914	55,812	87,556	18,907	179,189
1957.....	21,166	15,675	13,092	27,251	77,184
1958.....	47,536	37,828	59,245	18,101	162,710
1959.....	22,212	15,881	55,269	17,370	110,732
1960.....	28,344	29,270	138,138	37,387	233,139
1961.....	135,981	420,320	285,704	31,324	873,329
1962.....	113,144	285,012	232,530	21,000	651,686

¹ Domestic sales include fire, theft, and spoilage, in addition to domestic sales and donations.

NOTE.—While CCC sales have been reduced in recent months since it became apparent such sales were having an adverse effect on livestock prices, feeding has continued heavy, in part, because of the record supplies of feed grains produced under the 1963 program.

Source: Table 35 of supplement for 1962 to Statistical Bulletin No. 159, "Grain and Feed Statistics," July 1963, and table 28, "Feed Situation," November 1963, Economic Research Service, U.S. Department of Agriculture.

Mr. LYNN. While CCC sales have been reduced in recent months since it became apparent that such sales were having an adverse effect on livestock prices, feeding has continued heavy, in part, because of the record supplies of feed grains produced under the 1963 program.

Under the 1961 and 1962 feed grain programs, feeders knew in advance that it was Government policy to hold down feed grain prices in order to penalize producers who stayed out of the feed grain program. The certainty that feed grain prices would be held down probably is more important than the actual effect of CCC sales on market prices; however, feed grain prices were depressed.

Secretary Freeman contends that the price of corn under his administration has not been less than \$1.08 per bushel; however, he is misinformed. In January 1961 the average farm price of corn was \$1 per bushel.

Under the feed grain program the U.S. average farm price of corn dropped to a low of 93.8 cents in November 1961 and November 1962. The farm price of corn did not rise to \$1.08 until April 1963.

When Secretary Freeman says that the price has not been below \$1.08, apparently he is referring to a weighted average price which includes CCC takeovers at well above the market price.

The effect of the feed grain program on livestock production was determined by the price at which feed grain sold in the market and not by the higher weighted season average which has been raised above the prices actually paid by feeders through the inclusion of CCC takeovers.

The consumption of corn by cattle on feed increased almost 33 percent from 1960 to 1963. The consumption of corn by hogs increased 12 percent in the same period. Detailed figures follow:

[Thousand tons]

	Corn consumption by—				
	Milk cows	Other dairy cattle	Cattle on feed	Other beef cattle	Hogs
1960.....	11,024	1,200	8,983	3,065	39,619
1961.....	11,490	1,293	11,680	2,833	44,468
1962.....	12,532	1,276	12,452	2,795	44,582
1963.....	12,870	1,276	11,938	2,834	44,379
Percent change, 1960-61.....	4.2	7.8	30.0	-7.6	12.2
Percent change, 1961-62.....	9.1	-1.3	6.6	-1.3	.3
Percent change, 1962-63.....	2.7	0	-4.1	1.5	-.5
Percent change, 1960-63.....	16.7	6.3	32.9	-7.5	12.0

The wheat portion of the cotton-wheat bill which was recently signed into law constitutes a further threat to the well-being of the livestock industry. The contemplated Government policy of not letting wheat prices in the market rise above \$1.30 per bushel would cause much more wheat to be fed and could further disrupt feed-livestock ratios with serious adverse consequences to livestock, dairy, and poultry producers.

A comprehensive study of the food industry can be helpful if such a study is made objectively and is conducted by the best qualified men available. Its purpose should be to ascertain the facts—not to divert attention away from the primary causes of the decline in fed cattle prices. Above all, such a study must be completely free of election year politics.

Farm Bureau will be happy to be of assistance to this committee, and to the proposed Commission, in facilitating an objective study of this matter.

(The following was submitted for the record:)

STATE OF WASHINGTON,
EXECUTIVE DEPARTMENT,
Olympia, April 20, 1964.

HON. WARREN G. MAGNUSON,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR WARREN: President Johnson said in his message on agriculture to the Congress on January 31 that a bipartisan study of market power in the distribution of food "is a pressing need if American agriculture is to be strengthened."

For many years I have shared the increasing concern of farm leaders and spokesmen over the revolutionary changes in the food marketing structure and their effect upon the individual farm operator.

I strongly support the proposal embodied in Senate Joint Resolution 71 to create a Presidential Commission to study and appraise these changes.

Only by fully exploring both the character and extent of these developments and their effects will we be able to properly discharge our responsibility to farmers and consumers.

Sincerely,

ALBERT D. ROSELLINI.

STATE OF WASHINGTON,
DEPARTMENT OF AGRICULTURE,
Olympia, April 20, 1964.

HON. WARREN G. MAGNUSON,
*U.S. Senate, Senate Office Building,
Washington, D.C.*

DEAR SENATOR MAGNUSON: No single element has had a more profound effect upon agriculture in the State of Washington than the tremendous changes that have occurred in recent years in the marketing of food products.

Because of its geographic location and the character of its agriculture, the State of Washington is particularly sensitive to these changes. Ours is a developing agriculture, without the full stability of agriculture in many of the older areas of the Nation. Ours is also a diversified agriculture, producing many products that are in direct competition with the products of other areas and nations. And because of our location, many of our most important products must find their markets in distant areas and must move to those markets through the full channel of the marketing process. They are thus subject to the full impact of concentrated buying power, integration, freight rate differentials, and the increasing spread between producer and consumer prices.

I strongly believe that a comprehensive study of the changes in the food marketing structure and the effect of those changes upon the farmer and the consumer is imperative.

I endorse Senate Joint Resolution 71 which will create a bipartisan Presidential Commission to conduct this study and provide us with a basis for sound and constructive decisions for the protection of agriculture, business, and the consumer.

Sincerely yours,

JOE DWYER, *Director.*

WASHINGTON STATE FRUIT COMMISSION,
Yakima, Wash., April 20, 1964.

HON. WARREN G. MAGNUSON,
*Chairman, Commerce Committee,
U.S. Senate, Washington, D.C.*

DEAR SENATOR MAGNUSON: Information has reached us that you are soon to enter a bill in the Senate known as Senate Joint Resolution 71 for the purpose of establishing a committee and procedure to, among other things, study and analyze the effects of the great concentration in retailing upon farm prices and farm-product marketing.

Please be assured that, as manager of the Washington State Fruit Commission, I am very much aware of the need of this study on the part of Government, and I wholeheartedly endorse your resolution.

Sincerely yours,

FRED H. WESTBERG,
Secretary-Manager.

NORTHWEST WASHINGTON FARM CROPS ASSOCIATION,
Mount Vernon, Wash., April 20, 1964.

Senator WARREN G. MAGNUSON,
*Chairman, Commerce Committee,
U.S. Senate, Washington, D.C.*

DEAR SENATOR MAGNUSON: The Northwest Washington Farm Crops Association, consisting of 366 active member growers of fruit and vegetable crops in the three-county area of northwest Washington, namely Skagit, Snohomish, and Whatcom Counties, hereby request your support of Senate Joint Resolution 71.

In view of the economic position of the industry we feel a study and appraisal of the situation is timely and necessary.

Yours very truly,

RAY A. SCHINK, *Manager.*

SPOKANE, WASH.

Senator WARREN MAGNUSON,
Washington, D.C.:

Washington Wheat Commission urges your strong support of Senate Joint Resolution 71 establishing commission to study food marketing structure, particularly farmer's share food dollar and wide variance between that and consumer's price.

WAYNE GENTRY, *Administrator.*

SEATTLE, WASH.

Senator WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR: The Washington State Fryer Commission, which represents over 300 fryer growers and processors, support you in your endorsement of Senate Joint Resolution 71, and urge its immediate passage.

Happiness.

WASHINGTON FRYER COMMISSION,
CHARLES L. SHAFER, *Chairman.*

CIRCLE LAZY H RANCH,
Ellensburg, Wash., April 20, 1964.

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: Regarding Senate Joint Resolution 71 which would create a commission supposed to come out of your Commerce Committee this week.

As I understand this, it will create a committee to study our declining cattle market. Personally I am all for it. After all, the cry is that imports are the fault. Who are the importers? As near as I can figure, our big packers are the producer as well as the importers playing monopoly and if left unchecked, will create a serious impact on our economy. It has already caused many feeders to go broke and if left unchecked, will break many small packer-feeders as well.

The chainstores are perhaps one of the farmers' worst enemies as they not only set the price on beef and other farm commodities but they get by with it. I can't go along with the cry that there is a surplus of beef. Nobody knows of it spoiling in the coolers yet.

Thanks to you, Senator, for your interest in this matter.

Sincerely,

LAURENCE MELLERGAARD.

P.S.—We are still hoping to build the steamplant, so anything that you can do to build the tieline will be greatly appreciated, as it will help our endeavor.

WASHINGTON-OREGON BERRY GROWERS ASSOCIATION,
Puyallup, Wash., April 20, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: It is our understanding that the resolution requested by President Johnson for establishment of a bipartisan commission to study changes in agricultural marketing is in your committee. We would appreciate receiving the details of the resolution. The information we have indicates the resolution is broad in directing a study of integrated farming chain-store buying, marketing margins and other related questions. Many of us in agriculture need to know what the changes are, what they mean and how far these trends will go. With this information we can make more realistic decisions on our own adjustments.

The Washington-Oregon Berry Growers Association supports the formation of the Commission.

BOB COOK, *Manager.*

ELLENSBURG, WASH., April 20, 1964.

Senator WARREN G. MAGNUSON,
Chairman, Commerce Committee,
U.S. Senate, Washington, D.C.:

We support Senate Joint Resolution 71 and appreciate your action on our behalf.

WASHINGTON WOOL GROWERS ASSOCIATION,
PHIL KERN, *Secretary.*

YAKIMA, WASH., April 20, 1964.

Senator WARREN G. MAGNUSON,
Chairman, Commerce Committee,
U.S. Senate, Washington, D.C.:

We support Joint Resolution 71 which will create a bipartisan commission to study, appraise, and evaluate the dynamic changes which have taken place in the food industry. Points of study: Production, marketing, transportation, and labor costs.

WASHINGTON-OREGON CANNING PEAR ASSOCIATION,
CLAY WHYBARK, *Secretary-Manager.*

WASHINGTON STATE DAIRYMEN'S FEDERATION,
Puyallup, Wash., April 20, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: It is our understanding that the resolution requested by President Johnson for establishment of a bipartisan commission to study changes in agricultural marketing is in your committee. We would appreciate receiving the details of the resolution. The information we have indicates the resolution is broad in directing a study of integrated farming, chainstore buying, marketing margins and other related questions. Many of us in agriculture need to know what the changes are, what they mean and how far these trends will go. With this information we can make more realistic decisions on our own adjustments.

The Washington State Dairymen's Federation supports the formation of the Commission.

Sincerely,

W. O. HARTILL, *President.*
BOB COOK, *Manager.*

STONE FRUIT MARKETING COMMITTEES,
Yakima, Wash., April 22, 1964.

HON. SENATOR WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: I am writing in reference to Senate Joint Resolution 71 and urging speedy completion of hearings and passage by the Senate and House of this resolution.

I represent and speak for four Federal marketing orders, the Washington Apricot Marketing Committee, the Washington Cherry Marketing Committee, the Washington Peach Marketing Committee, and the Washington-Oregon Prune Marketing Committee.

The soft fruitgrowers in the State of Washington are interested in this resolution because they are faced with rising costs of production and yet soft fruit is returning the growers less money than it did 10 years ago. We realize fruit is not as influential on a national scale as beef, however, it is very vital to the fruitgrowers of the State of Washington, which are many hundreds in number, and who are affected by this price squeeze in the same manner as the cattle feeders. These grower marketing order committees feel that the consumer is getting a bargain in fruit prices compared to the other items purchased.

We are not necessarily pointing a finger at chainstores specifically for excess profits, such as some other commodity organizations have, but it is the general feeling among fruitgrowers that chainstores often contribute to forcing the

fruit prices lower than they would have been if the law of supply and demand had not been tampered with. These large and powerful chainstore complexes have enough buying power to partially influence the supply and demand on specialty crops which are not marketed on a national scale.

We urge speedy passage of Senate Joint Resolution 71 and subsequently a complete investigation to determine if chainstores actually are influencing the law of supply and demand. We would like to see the consumer get a bargain on food, but not at the expense of putting the producer out of business due to unfair pricing practices.

I would be happy to discuss this program with you further if you wish.

Thank you in advance for your cooperation.

Sincerely yours,

DEE SMITH, *Manager.*

BOTHELL, WASH., April 15, 1964.

Senator WARREN MAGNUSON,
U.S. Senate, Washington, D.C.

DEAR SIR: I am a 45-year-old housewife who has voted for you twice in the last decade. I, and several other housewives wish to persuade you to do whatever you can to stop the food prices from rising. We know that the producers get no higher prices for their products, and that we housewives keep having to pay more and more for food in the stores. So who is profiting from this?

We wish you to help find out the reason for the steady rise in prices, and to prevent this "robbery" from continuing.

Thank you.

Yours truly,

Mrs. RAY DURBIN
(Republican).

FAVORING SENATE JOINT RESOLUTION 71

Whereas Senate Joint Resolution 71 would authorize an investigation by the Federal Trade Commission of the purchasing, processing, marketing, and pricing practices of the food chainstores; and

Whereas at the present time 10 national food chains control over one-half of the beef that is marketed at the retail level in the United States; and

Whereas farmers and ranchers are subjected to prices which are deliberately set and manipulated by these giant food chains, which has resulted in the closing of competitive livestock markets and bankruptcy of independent producers and distributors; and

Whereas in our opinion this investigation is of the utmost importance and long overdue: Now, therefore, be it

Resolved, That Thurston County Pomona Grange No. 8 urge the passage of Senate Joint Resolution 71 at this session of Congress, and that copies of this resolution be sent to Senators Magnuson and Jackson, also Senator McGee of Wyoming, and to the Washington State Grange.

[SEAL]

JAMES NELSON, *Master.*

JEAN PETERSON, *Secretary.*

OLYMPIA, WASH.

Senator McGEE. With the testimony of the National Association of Food Chains today, each of the major retailing and farm organizations has now endorsed President Johnson's proposal for a bipartisan Commission on Food Marketing as embodied in Senate Joint Resolution 71—the National Association of Food Chains, representing corporate chains, the National Association of Retail Grocers, representing independent retailers, the National Farmers Union, the National Grange, and the American Farm Bureau Federation.

In addition, Senate Joint Resolution 71 has received the support of labor, industry, and consumer representatives who have appeared before the committee.

During the course of these hearings, we have made no attempt to prejudge the pressing and vital issues raised by the testimony but

have attempted to prepare the way for the formation of a tribunal competent to judge, once they can acquire the facts and approach, as close to the heart of truth in this question as human frailties permit.

But if we have delivered no verdict we have, I believe, succeeded in delineating certain fundamental problems with which the Commission must concern itself:

1. What is the explanation for the growing disparity between farm income and consumer prices?

2. Has the concentration of market power in the food industry destroyed the former balance of competitive forces?

3. Will present structural trends in the food industry ultimately lead to the total control by giant retailers of food production and processing; in other words, complete vertical integration?

4. Is the future of the family farm as a major economic institution in jeopardy?

5. Is the Federal Government adequately serving either to regulate, service, or stabilize the food industry?

6. Can we yet achieve a food industry which is both efficient and competitive?

The answers to these and other questions may not prove palatable to any one group any more than to another. But once more, as we have reiterated again and again in the course of these deliberations, it is incumbent upon the proposed Commission to ask all of the right questions, without being intimidated by fear of the right answers, whatever their own individual prejudices on the question may be, and we hope there will be no built-in prejudices on the part of the Commission.

The answers that are found may not eliminate the painful economic adjustments that we are going through, but they may point up ways in which to meet some of these pains and these changes constructively.

It is essential that the right answers be found now. The sooner they are found, the less likely they will get worse or become insoluble.

The real point behind all of this, of course, is that we are, as a people, growing and changing with great speed, great rapidity. And that one of the changes is in the field of food marketing. The phenomena of the food market is one of the wonders of our age.

We want to make sure, as an intelligent people, that these wondrous technological changes become our tools rather than we becoming their tools.

This has always been the center post in the American philosophy, that genius and technological advances and modernization and mass production techniques are for a purpose. They are not an end in themselves. Their purpose is to make a better life for more people, and this must continually remain the ultimate and total objective of the scrutiny that will be brought to bear on all of the aspects of the marketing problems raised in the course of these deliberations and in much greater detail, greater depth, and broader perspective in the more sweeping study by the proposed Presidential Commission.

This will conclude the hearings of this committee on this resolution. The record will be closed tonight. If there are those who still want to amend or append their statements, that should be done today for the reason that we are trying to move along rapidly.

As soon as we can prepare a report on this, the committee will then sit down and deliberate on the President's proposals.

With that concluding comment, unless you have anything to add, Senator Morton—

Senator MORTON. No, I think your resolution has been adequate for the question.

Senator McGEE. The committee then stands in adjournment.

(Whereupon, at 9:53 a.m., the committee was adjourned.)

Senator McGEE. The committee then stands in adjournment.

(Subsequently, the following agency reports, statements, and letters were submitted for the record:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., April 30, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of April 2, 1964, requesting a report on Senate Joint Resolution 71, as amended, introduced by Senator McGee on April 1, 1964, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

This Department recommends that Senate Joint Resolution 71, as amended, be passed.

The legislation provides for the establishment of a bipartisan commission to study and appraise the marketing structure of the food industry from the farmer to the consumer. The commission would be composed of 15 members, 5 Members of the Senate to be appointed by the President of the Senate, 5 Members of the House of Representatives to be appointed by the Speaker of the House, and 5 members to be appointed by the President from outside the Federal Government. The Commission would employ the services of a professional staff and would complete its work and make a final report to the President and the Congress by July 1, 1966.

The proposed legislation incorporates the bill, which was transmitted by President Johnson to the President pro tempore of the Senate and the Speaker of the House of Representatives on April 1, with his recommendation for enactment. It carries out the recommendation contained in the President's agricultural message of January 31, 1964, that the Congress establish a bipartisan commission to study and appraise changes in the marketing structure for distribution of food, so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibilities to consumers.

Agriculture has a vital stake in the proposed inquiry. During the years since the end of World War II, farmers have become increasingly efficient. Yet they have continued to have serious income problems. Productivity per man-hour in farming has increased at an annual rate of 5.6 percent—twice the growth rate in other segments of the economy. Yet the farmer's share of the consumer food dollar has declined steadily, from 53 cents in 1945 to 37 cents in 1963. Farmers' incomes today are estimated to be only about 60 percent of incomes earned by those who enjoy the abundance of agriculture.

The Department of Agriculture has acted on many fronts to combat the problems of overproduction and underconsumption, to deal with the human and social problems of abundance, and to strengthen the position of the family farm in the United States. As we have gone about this work, we have become increasingly aware of the fact that two revolutions have been taking place in the food sector of our economy. The first is the well-known revolution in agricultural production. The second is the revolution which has been taking place in the marketing of food and agricultural products. This revolution in marketing is as far reaching in its implications as the better known revolution in food production. Yet it is much less appreciated and understood.

Some aspects of this marketing revolution are readily apparent and well known. Data from many sources dramatize the trend toward fewer, larger, and more specialized operating units throughout the food industry, from the farmer to the retail store. This has resulted in significant concentrations of market power at many points in the marketing system.

In addition to these visible changes, there have been more subtle changes taking place in business relationships and business conduct which have profoundly affected the food marketing system. Many economic studies and investigations have given partial pictures of these developments. However, we do not have

adequate information concerning the operation of the total marketing system to make meaningful evaluations.

The proposed Marketing Commission would seek answers to vital questions concerning the food marketing system of the Nation, such as: Where are present changes heading? What kind of a food marketing system do we want? What changes, if any, are needed in public and private policies and programs in order to achieve this goal?

An independent commission such as that proposed by Senate Joint Resolution 71, as amended, is the most promising means of obtaining answers to these questions. The Commission, with appropriate staff and full cooperation from other Federal agencies which are able to contribute to its work, can develop the required information and can help to chart desirable courses of action by Government and by industry.

The food industry is a major segment of our economic life, involving annual retail food sales of \$70 billion, employment for about 11 million wage earners, and operations that daily touch the life of every American and significantly affect the growth and stability of the economy.

The pace of change in the food industry is rapid and accelerating. We urge prompt action on the proposed legislation so that the Commission may begin its work with a minimum of delay.

The Bureau of the Budget advises that there is no objection to the presentation of this report and that enactment of the joint resolution, as amended, would be in accord with the President's program.

Sincerely yours,

CHARLES S. MURPHY, *Acting Secretary.*

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., May 1, 1964.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department with respect to Senate Joint Resolution 71 (amended), a joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

The Commission would be composed of 15 members, including (1) 5 Members of the Senate, to be appointed by the President of the Senate; (2) 5 Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) 5 members to be appointed by the President from outside the Federal Government.

The Commission is to study and appraise the marketing structure of the food industry, focusing on the nature of the actual changes over the past two decades in the various segments of the food industry, on the changes likely to materialize if present trends continue, on the kind of food industry which would assure efficiency of production, processing, and distribution and yet provide acceptable competitive alternatives to all parties involved, and on the changes in public policy which would seem advisable in this area.

The joint resolution specifies the powers of the Commission and calls for funds not to exceed \$2,500,000, to support its work. The Commission is to make a final report to the President and to the Congress by July 1, 1966.

The Department of Commerce recommends enactment of Senate Joint Resolution 71.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report, and further, that enactment of Senate Joint Resolution 71 (amended) would be in accord with the program of the President.

Sincerely,

ROBERT E. GILES.

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D.C., April 30, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR SENATOR: This is in response to your request for the views of the Department of Justice concerning Senate Joint Resolution 71, as amended, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

The joint resolution, as amended, provides for the establishment of a bipartisan National Commission on Food Marketing consisting of five Members of the Senate, five Members of the House of Representatives, and five nongovernmental members. The duty of the Commission would be to "study and appraise the marketing structure of the food industry" including past and prospective changes in the industry, the kind of industry which would be required in order to achieve optimal efficiency as well as optimal competitiveness at all stages of production and distribution, and changes in the industry and/or existing law which would be required to achieve this optimal condition. The Commission would also be charged with the duty of studying the effectiveness of present Federal services and regulatory activities with respect to the industry and of recommending appropriate actions to be taken by the Government and by private enterprise. It is required to submit a final report to the President and to the Congress by July 1, 1966.

The broad-scale investigation contemplated by the joint resolution could have a salutary effect upon the continuing endeavor to foster competition in the business world. By providing the opportunity to study in depth the need for further improvements or additions to existing law, the resolution has substantial merit. Accordingly, the Department of Justice favors its enactment.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

NICHOLAS DEB. KATZENBACH,
Deputy Attorney General.

FEDERAL TRADE COMMISSION,
Washington, D.C., April 29, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of April 2, 1964, requesting the Federal Trade Commission to comment on Senate Joint Resolution 71, 88th Congress, 2d session, as amended on April 1, 1964, a joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

The subject amended resolution would create a Commission to be composed of 15 members including (1) 5 Members of the Senate, to be appointed by the President of the Senate; (2) 5 Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) 5 members to be appointed by the President from outside the Federal Government.

The purpose of the Commission is to study and appraise the market structure of the food industry and to make appropriate recommendations for actions by the Government or by private enterprise. It is also to make such interim reports as it deems advisable, and to make a final report to the President and to the Congress by July 1, 1966.

The Commission or any of its members is authorized to conduct hearings. The Commission is also given the power to require, by special or general orders, reports from corporations, business firms, and individuals and also to receive from such parties answers to such questions as the Commission may prescribe.

The Commission has the power to administer oaths and issue subpoenas, ad testificandum and duces tecum.

Any district court of the United States within whose jurisdiction an inquiry is carried on is empowered to enforce subpoenas and orders of the Commission and a failure to obey an order of compliance of the court may be punished by the court as contempt thereof.

The Federal Trade Commission endorses the purpose and objective of the subject resolution.

We are convinced that a study of the entire food industry will be very much in the public interest. It is our belief that through an investigation of this industry much data could be secured to aid in the determination of what practices if any in the industry are violative of the antitrust laws and also whether the present laws are adequate to protect the public.

For over three decades the Federal Trade Commission has devoted a substantial share of its limited resources to the preservation of competition in the food industry. We are attaching hereto a list of the Federal Trade Commission's reports dealing with the problems of agriculture and food distribution.

The Federal Trade Commission will, within the limits of its personnel, budget and statutory duties, cooperate in every way to assist the proposed Commission in the performance of its duties.

By direction of the Commission :

PAUL RAND DIXON, *Chairman.*

Enclosure.

N.B.—Pursuant to regulations, this report was submitted to the Bureau of the Budget on April 29, 1964, and on the same day the Bureau of the Budget advised that there is no objection to the submission of this report and that enactment of Senate Joint Resolution 71, as amended, is in accord with the President's program.

JOSEPH W. SHEA, *Secretary.*

FTC ECONOMIC INQUIRIES WHICH DEALT WITH VARIOUS ASPECTS OF THE FOOD INDUSTRY

Agriculture:

Interim Report of FTC on the Agricultural Income Inquiry (1935, Cong., 6 pp.).

Interim Report of FTC on the Agricultural Income Inquiry—Fruits and Vegetables (1937, Cong., 16 pp.).

Agricultural Income Inquiry—Part I: Principal Farm Products (1938, Cong., 1134 pp.).

Agricultural Income Inquiry—Part II: Fruits, Vegetables, and Grapes (1938, Cong., 906 pp.).

Agricultural Income Inquiry—Part III (1937, Cong., 154 pp.).

Agricultural Implement-Machinery Industry (1938, Cong., 1176 pp.).

Baking:

Report on Bakery Combines and Profits (1927, Sen., 95 pp.).

Report on Wholesale Baking Industry—Part I: Waste in the Distribution of Bread (1946, FTC, 25 pp.).

Report on Wholesale Baking Industry—Part II and Summary: Costs, Prices, and Profits (1946, FTC, 137 pp.).

Report on Competition and Profits in Bread and Flour (1928, Sen., 509 pp.).

Beet sugar:

The Beet Sugar Industry in the United States (1917, Commerce, 164 pp.).

Canned foods:

Canned Foods—Canned Salmon (1918, Pres., 83 pp.).

Canned Foods—Vegetables and Fruits (1918, Pres., 103 pp.).

Competition: Prices and Competition Among Peanut Mills (1932, Sen., 78 pp.).

Distribution:

Distribution Methods and Costs—Part I: Important Food Products (1943, FTC, 223 pp.).

Distribution Methods and Costs—Part IV (1944, FTC, 189 pp.).

Distribution Methods and Costs—Part V: Advertising as a Factor in Distribution (1944, FTC, 50 pp.).

Distribution Methods and Costs—Part VI: Milk Distribution, Prices, Spreads, and Profits (1945, FTC, 58 pp.).

Distribution Methods and Costs—Part VII: Cost of Production and Distribution of Fish in the Great Lakes Area (1945, FTC, 59 pp.).

FTC ECONOMIC INQUIRIES WHICH DEALT WITH VARIOUS ASPECTS OF THE FOOD
INDUSTRY—Continued

Distribution—Continued

Distribution Methods and Costs—Part VIII: Cost of Production and Distribution of Fish in New England (1945, FTC, 118 pp.).

Distribution Methods and Costs—Part IX: Cost of Production and Distribution of Fish on the Pacific Coast (1946, FTC, 82 pp.).

Flour:

Report on Commercial Wheat Flour Milling (1920 FTC, 118 pp.).

Flour Milling and Jobbing (1918, Pres., 27 pp.).

Report on Conditions in the Flour-Milling Business (1932, Sen., 26 pp.).

Report on Wheat Flour Milling Industry (1924, Sen., 130 pp.).

Report on Competitive Conditions in Flour Milling (1926, Sen., 140 pp.).

Report on Growth and Concentration in the Flour Milling Industry (1947, FTC, 36 pp.).

Report on Competition and Profits in Bread and Flour (1928, Sen., 509 pp.).

Food chains:

Chain Store Inquiry (1929–35), Cong., 33 volumes).

Economic Inquiry Into Food Marketing—Part I: Concentration and integration in Retailing (January 1960, FTC, 338 pp.).

Economic Inquiry Into Food Marketing—Part II: The Frozen Fruit, Juice, and Vegetable Industry (December 1962, FTC, 145 pp.).

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, April 29, 1964.

B-110394.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in reply to your request of April 2, 1964, acknowledged April 6, for our comment on the revised Senate Joint Resolution 71, entitled "Joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer."

We have no special knowledge or information to offer for your consideration regarding the merit of the proposed legislation but invite your attention to several administrative provisions of the bill.

Subsection (a) of section 3 provides that Members of Congress who are members of the Commission "shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission." The quoted provision would authorized payment of traveling expenses on an actual expense basis. We suggest for your consideration the advisability of also providing for a mileage allowance for the use of privately owned conveyances and a per diem allowance in lieu of actual expenses for subsistence, commuted payments not apparently authorized as the subsection is now written.

Subsection (b) of section 3 provides for the travel expenses and per diem in lieu of subsistence of members of the Commission from outside the Federal Government. However, it is not clear whether the phrase on lines 19–21, page 2, "as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently," refers to "travel expenses" as well as "per diem in lieu of subsistence." If the qualification is as to both travel expenses and per diem in lieu of subsistence it is suggested a comma be inserted after "subsistence," line 19, page 2, of the bill.

Subsection (d) of section 6, after stating the Commission shall be furnished financial and administrative services by the General Service Administration, provides that the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments, prescribed pursuant to 5 U.S.C. 46e (erroneously cited as 5 U.S.C. 46c), and the Administrator's regulations for the administrative control of funds, prescribed under 31 U.S.C. 665 (g), shall apply to the collection of erroneous payments made Commission employees and to the appropriations of the Commission, respectively. The subsection goes on to further provide "that the Commission

shall not be required to prescribe such regulation." We suggest the latter provision lends itself to several interpretations and should be redrafted for clarity of purpose.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

STATEMENT OF AMERICAN STOCK YARDS ASSOCIATION IN SUPPORT OF SENATE JOINT RESOLUTION 71, 88TH CONGRESS, 1ST SESSION

The American Stock Yards Association is a trade association comprised of owners and operators of the major terminal livestock markets of the United States. A substantial portion of all livestock marketed in the United States is handled by the members of this association, all of which have been posted by the Secretary of Agriculture under the Packers and Stockyards Act, 1921, as amended (7 U.S.C. 181 et seq.).

In recent years, this association has become increasingly aware of problems resulting from the concentration of economic power in the hands of relatively few large, and, in some instances, vertically integrated retail food chains. This concentration of economic power, along with other factors, has contributed substantially to a steady decline in livestock prices received by producers, with no corresponding decrease in retail food costs experienced by the consumer. In addition, the economics of livestock marketing under the Packers and Stockyards Act, which envision a competitive price determination through the gathering of buying and selling power at the terminal livestock markets, have been disrupted by an increasing diversion of buying and selling power from the terminal markets to compensate for the concentration of economic power in chainstore systems. In some instances, vertically integrated food chains function at all levels of livestock production and marketing and, to the extent that they no longer bring their buying power to the terminal markets, render less effective the competitive price-determining system upon which virtually all sales of livestock are predicated.

The association recognizes that Senate Joint Resolution 71 is directed toward a consideration of complex economic problems which appear likely to increase in magnitude unless positive action is taken.

Since 1958, the American Stock Yards Association has urged the Packers and Stockyards Division, Agricultural Marketing Service, U.S. Department of Agriculture, and the Federal Trade Commission, to inquire into the increasing concentration of economic power in retail food chains and to take appropriate action to correct abuses which increasingly are being realized by the livestock industry and the American public as a result of such concentration of economic power. To date, no positive action has been taken.

The President's proposal, as embodied in Senate Joint Resolution 71, is greeted by the association as a very welcomed evidence of governmental realization of the fact that serious problems exist in this area. The approach taken by Senate Joint Resolution 71 to require a comprehensive investigation of the marketing practices of food chains is a practical approach which, if adopted by the Congress, will likely reveal the existence of similar problems in other industries.

This Nation's economy is controlled, apart from direct Government regulation, through the economic policy of free competition, embodied in the Sherman Act of 1890 (15 U.S.C. 1), as implemented by the Clayton Act, act of 1914 (15 U.S.C. 12), the Federal Trade Commission Act of 1914 (15 U.S.C. 44), and the Robinson-Patman Act 1936 (15 U.S.C. 13(a)).

The American Stock Yards Association fully believes in and endorses the basic economic concepts contained in the Sherman Act and implemented by the 1914 and 1936 legislation referred to. However, the Nation's economy has not been static since the enactment of these basic laws, but, rather, has changed to meet the demands of war and the teachings of improved technology, distribution methods, and changing consumer preferences. In short, the Nation's present economic system is not the economic system which was studied by the Congress in 1890, 1914, and 1936, and many of the problems which are now being realized were not then in existence.

Accordingly, the American Stock Yards Association fully supports the philosophy of Senate Joint Resolution 71, calling for a thorough investigation of the marketing practices of food chains, and respectfully suggests that such an investigation, in order to be of maximum benefit, should not be limited to de-

termining whether given practices violate existing law, but, rather, should have a broad base of concern over such factors as the changes which have occurred in the size, concentration, and business relationships between food-marketing firms; the likely future structure of the food industry, if present trends are to continue; and whether this future industry structure would appear consistent with the best interests of the American public.

The American Stock Yards Association expresses no view as to whether this investigation should be conducted by a newly created agency or entrusted to an existing agency.

UNITED STATES POULTRY & EGG PRODUCERS ASSOCIATION, INC.,
Washington, D.C., April 30, 1964.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
Washington, D.C.

DEAR SENATOR MAGNUSON: During the past year this organization and affiliated organizations and members have been urging that your committee hold hearings on Senate Joint Resolution 71. While we are disappointed that hearings will be held for only the beef industry, we wish to enter our own statement for the record. Other statements will be furnished by some of our affiliated organizations and individuals.

The writer of this statement has had the opportunity to attend some of the hearings on this resolution. We have been impressed by the fear of economic reprisal that has been expressed by cattlemen who have testified. While they were testifying I know there were small processors in the hearing room who were afraid to testify or prepare statements for the record because they were intimidated and coerced, indirectly of course, by fear of economic reprisals.

This is a very real problem, and members of our association who have been broken because they actively fought the monopoly power of integration in the poultry industry are a good case in point. One of these individuals, who was threatened before he testified before the House of Representatives Small Business Committee, Select Committee on Problems in the Poultry Industry, was ruined financially as he was threatened to be before he testified. Since then he has found it difficult to obtain work in the area where the long arm of integrators has been able to reach. His wife obtained a job in a field office of one of our prominent national feed companies and held it until her identity was learned at the district office when she was promptly fired. This past year this man has lost his farm, car, and other assets because he was unable to obtain a contract to grow poultry.

In the case of 12 of our leading members in 1 State who were simultaneously laid off by integrator contractors some 22 months ago, 9 have been able to again obtain contracts, 3 others did not. One of these three has finally sold his farm; another has been forced to change his operation completely; another has been unable to obtain a contract or any alternative. This week he has a payment past due on \$12,000 worth of equipment and the supply company is going to pick up his equipment next week.

This same man with his wife and three children face the loss of their nice home and 40-acre farm with 50,000 capacity for broiler production. Unfortunately, because there is area monopoly and collusion among the poultry industry at the feed company and processing level, he has been unable to lease his operation to anyone that is agreeable to the industry people. His crime was that of being a leader of his fellow growers and the industry people resolved that the best way to bring grower organization under control and thoroughly establish their monopoly powers was to eliminate any possible opposition.

The tactics used in these two cases are not isolated ones; similar methods have been used in other States. They do, however, illustrate how utterly vicious vertical or horizontal integration can be, and is. Only those individuals who are protected, in some cases by a co-op or a small feed dealer, have any immunity. However, even these organizations are afraid. They dare not protest the power of chainstores and in some cases the power of the industry organizations to which they belong or might oppose.

In the poultry house we have what is called the "peck order." This is really a social system; to illustrate: if we have, say 100 chickens, by pecking each other the stronger emerges as the boss and this order is established from

top to bottom, every chicken in the group subservient to the one just above in the pecking order. This order remains as long as the group survives and if any individuals are moved to another group a whole new social system emerges in both groups.

Many sellers and few buyers make for a happy situation in the marketplace for the buyer. As our modern volume food-marketing system emerges we find that we have fewer and fewer buyers. For example, we are told that A. & P. has one buyer in the United States for all its broiler purchases. The buying power of the other chains is growing proportionately. It is not our purpose to pick on the chainstores per se. Rather, we would attempt to be constructive and say that these people are doing only what comes naturally; meeting competitive forces with competitive means to survive. In effect we have a peck order from the top cock on down in business just as in the chickenhouse. The law of the jungle applies in the chickenhouse and in the food business and the question is whether we can amend this law among us human beings and reason out some ways to get along among ourselves. To give you another example of how our peck order works in the food industry: About a year ago a man testified before a House committee in regard to getting certain sections of the Packers and Stockyards Act amended and enforced in the egg industry. This man, who has his own independent egg-producing business, was representing a State organization. After his testimony became public and he had returned home he was approached by a chainstore association representative; needless to say he and his associates are going to be extremely cautious from now on.

Just recently a prominent manager involved in processing eggs deplored the market structure and made certain remarks publicly regarding chainstore manipulations and market-depressing tactics. His comments resulted in the fact that his organization almost lost its market for the entire volume they produce. Had this happened the livelihood of over 400 egg producers would have been jeopardized.

The poultry and egg industry represent \$3½ billion annually. In these industries we have both vertical and horizontal integration from the hatching egg to the consumer. Broilers are 98 percent integrated and commercial eggs about 35 percent, with the total percentage increasing daily. Those of us who have reasoned that complete integration in any one commodity would lead to monopoly have had our fears justified. Though we have fought the trend we have not been successful to date, and many of us who would prefer to be independent entrepreneurs are forced to accept the terms of integration regardless of the terms. The alternative is economic suicide.

In the writer's case I've been on both sides of the fence. By this I mean as a grower and also associated with firms where we developed integration; not because we wanted to, but because of the force of competitive factors. One thing has been apparent from the start in the development of integration; the integrated grower loses his bargaining position. A vicious cycle is developed; as the grower loses or transfers his bargaining authority to someone else the decisions as to supply and demand are also transferred. This situation has resulted in the broiler industry being constantly overproduced. While the people at the feed and processing level may feel that 25 cents per pound for example is a satisfactory price for the processed broiler, the growers' return may not be satisfactory and as of now there is nothing they can do about their problem.

This is best illustrated by a recent occurrence. A certain group approached their integrator who owned the hatchery, feed supply, processing plant, medical supplies, equipment supply, and the rest of the ingredients of production. Each of the above-mentioned segments of production were handled by intracompany corporations. The integrator company owned about 20 percent of the farms necessary to furnish its supply of broilers to its own processing plant. The object of the group in approaching the owner-manager of the firm was to try to bargain to obtain better contract terms and returns. The growers involved owned their own farms and broiler-growing operations.

The positions these growers took was that the terms of their contract and their returns were so low that they were eroding their assets. They were immediately informed that the cost of production was so much and there was no room to improve contract terms. Without countervailing power they were

helpless. It is significant at this point to point out that the 20 percent of total production owned by the company is a very useful lever to gentle and subdue anyone who dares argue with the terms presented by the company.

If the grower or growers persist in trying to develop bargaining power, another alternative is available to the company to bring them into line—the grower's efficiency or his cooperation. The grower has no control over the quality of feed or chix delivered and if he attempts to protect his own interest he immediately is termed uncooperative.

The image that the broiler industry has tried to create is that the industry is owned and controlled at the industry level. With the latter we agree it is controlled at the industry level. That it is owned completely by industry we disagree. Although it is true that the companies furnish chix, feed, medicines, and supervision in a lot of cases, other ingredients are furnished by the grower and the grower may sign a note for the part the company furnishes which is later sold to a bank or PCA. In addition, the company furnished the facilities for growing broilers and if he has 40,000-bird capacity he will have approximately \$40,000 involved plus his farm and home on the line. It has been estimated that grower investment will exceed one-half billion dollars which is in excess of the other industry interest by from 3 or 4 to 1. This obligation is a long-term commitment with few if any alternatives for the housing and equipment. In contrast the production financing furnished by the company is of short-term nature and involves relatively small quantities of money except in the last 3 weeks of an 8- or 9-week production period.

Once a grower is committed with his capital investment he is at the mercy of his company for years and years to come. Too many times better contracts have been used to entice a prospective grower into developing broiler production plants and when established about a year the contract terms were reduced. This has resulted in a suicide in one case, complete mental breakdowns, widows losing farms, veterans losing life savings, and families losing homes.

It is not our intention to paint a picture of an industrywide case of gross dishonesty or disregard for human and property values. We would render the industry a disservice if we failed to point out that there are some wonderful people in it who are rendering a real service to their grower and communities. Nor should we fail to point out that there are benefits in integration such as sharing risks and the building of payrolls.

However, the simple fact is that the poorest contract in the industry in the hands of a vicious competitor who wants to be the top cock soon becomes a common denominator for the contracts in the rest of the industry. In those areas where there are old, strong co-op, growers are recipients of better contract terms, returns, and treatment. The fact that there is a cooperative provides alternatives and competition for grower services.

Unfortunately, we find that in some areas the cooperatives are hard pressed to hold their own in this viciously competitive industry. While the industry is trying desperately to resolve its own problems, the uncooperative company soon makes any position developed untenable. Further, the combination of this power and the buying power of the chains and their use of it make the need greater for countervailing bargaining power by the grower, in dealing with his company and the company in turn selling to the chains.

As contractual arrangement continues to develop in the commercial egg industry, as it has in the broiler industry, the same problems will develop, in fact are already developing. The erosion or elimination of egg producers has been terrific.

U.S. agriculture is at the crossroads. It is imperative that the Congress take a good look at all of agriculture. The determination as to whether there will be free entrepreneurs on our farms must be made now. Otherwise by pure market dominance the corporations will take over and in effect we will have but a different version of the "land estates of Europe" with their feudalistic practices. In many cases now a man is but a serf on his own farm.

Yours truly,

DAL FERRY, *Executive Director.*

DKF:ef

P.S.—Attached is a copy of an editorial by LeLand DuVall of the Arkansas Gazette, Little Rock, Ark. With your permission we would like to present this for the record. Thank you.

[From the Arkansas Gazette, Sunday, Mar. 22, 1964]

POULTRY LEADERS STILL DREAMING OF STABLE PROFITS

(By LeLand DuVall, of the Gazette staff)

A favorite executive pipedream among leaders of the integrated poultry complex contemplates the time when production will be concentrated under the control of a handful of companies. The advantage of this situation would be that the volume of production could be matched to demand, and prices could be stabilized at a profitable level.

Leaders of the poultry business have understood for many years that they could not hope for a stable market at a profitable level so long as production was determined by the mass decisions of thousands. First the individual growers and later the feedstores, feed manufacturers, and finally the integrated companies decided how many chickens should be started in a given period. In rapid change, production consistently exceeded the level at which the market would absorb the birds and pay a profit to the producer. Any temporary rise in the price automatically brought a corresponding increase in volume so that the market declined again. The low market cycle wiped out producing units but the survivors picked up the immobilized "capacity" so that total output was not reduced.

During all this period, the number of surviving companies continued to decline. Now persons familiar with the business estimate that fewer than 50 companies control the production of more than 75 percent of the broilers grown and processed in the United States. Only a few years ago, at least 500 companies were involved in the production of this same percentage of the total volume.

Indications are that, from time to time, the surviving companies have made tentative efforts to hold down production and stabilize the price but they always fail. There are several problems. When the executives reach a loose understanding that volume should not be permitted to increase, individual companies see this as an opportunity to raise their volume and corner new markets. There are the restrictions of the antitrust law, the Packers and Stockyards Act, and other factors that must be considered and no one wants to get caught in a price-fixing situation.

The grower, of course, comes under increasing pressure during the periods when profits disappear but he has little choice in the matter. In many cases, he has mortgaged his farm for a long-term loan to finance the construction of his houses and he has borrowed short-term money to pay the cost of growing the chickens. If he quits, he will be faced with the alternative of finding another way to meet his debt obligations or accepting bankruptcy.

Executives of the integrated companies, meanwhile, keep telling themselves that the time will come when production can be held down to the point that prices will stabilize at a profitable level. They also must convince themselves that their companies will be among the survivors.

Unfortunately, they are kidding themselves.

Virtually everyone in the chicken business today is a hardened veteran who knows the game from all sides. Consequently, he knows that the progress up to this point in the development has been made at the expense of bankruptcies. Each surviving company fed off the failure of its predecessor.

The first step was the expansion of the retail feedstores after the individual growers (who, up to that point, had operated as independent farmers) accepted a "contract" to produce broilers.

When the retail feedstores no longer could absorb the losses that resulted from low prices (touched off by higher volume), the feed manufacturers moved in and bypassed the retailers.

The feed manufacturing companies, in turn, found themselves in a corner when prices continued to decline and sought to solve the problem by integrating the operations with processors, hatcheries, and other segments of the business.

This, it seemed, was the ultimate step and the business could be carried no further. The only other changes, so the executives reasoned, would be failure of some of the weak companies. Survivors could move in and pick up the desirable growers and profitable markets and so become stronger. At some point,

the whole business would drift into control of a few surviving integrated companies who would be in position to divide up the market, control production, and stabilize the price at a profitable level. This philosophy required that each executive "keep the faith" and tell himself that he would head one of the surviving companies. Many already have been disappointed.

The heads of the integrated companies kidded themselves most when they believed integration could not be carried further than the feed-hatchery-processor step. Actually, the industry will go at least one step further before it finally settles into a pattern and the independent, integrated operator will be the last victim of the corporate giant he has helped create.

The current low cycle in the market and the continued expansion of production is proving that the price will not be stabilized by the companies that have survived so far; consequently, there must be another shakeout along the lines experienced in the past. Under these conditions, each company must ask: Who has the best chance to survive?

* * *

The obvious answer is that the companies with profits from other lines of business can outlast the integrated organizations that depend exclusively on poultry.

An old and well-diversified company in the meat business (with several profitable subsidiaries) obviously is in position to absorb relatively small losses in the poultry business while it waits for the chicken market to "be stabilized" at a profitable level.

A diversified company that started out in the feed business then broadened into such related areas as breakfast cereal and nationally advertised dog and cat food can be expected to stay in the poultry business longer than the very best company that depends on poultry for all of its profit.

A retail food chain with a solid profit history can improve its position by inching into the poultry business. It can afford the "loss" from this part of its total operation so long as it is making a profit selling groceries.

Actually, the retail food chain (and some of them already are in the business) may be in the best possible position to survive. So long as other companies are growing broilers and packing eggs, the food chain will have to produce only a relatively small percentage of its total needs in order to stay ahead of the game. Other companies will compete with each other to sell dressed broilers, eggs, and turkeys, but the food chain can use its own production to take the peaks off the market. When the price rises too high to suit its taste, it simply can fall back on its own supplies.

NATIONAL POTATO COUNCIL,
Washington, D.C., April 30, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Senate Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: This testimony is in connection with Senate Joint Resolution 71 to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

The National Potato Council has gone on record fully endorsing studies of this kind as outlined in our enclosed letter of March 31, 1964, to the President of the United States. We also enclose a copy of the reply to this letter by the Honorable George L. Mehren, Assistant Secretary, Department of Agriculture, Washington, D.C.

The National Potato Council is a nonprofit organization representing all aspects of the potato industry and has a mailing list of about 13,000, comprised of the major potato producers in all potato-producing areas and representatives of handlers, processors, and distributors. We have always been willing to supply information to any persons or groups of persons within or without the United States.

We again reaffirm our position as fully supporting the objectives of this resolution.

Respectfully,

A. E. MERCKER, *Executive Director.*

Enclosures

NATIONAL POTATO COUNCIL,
Washington, D.C., March 31, 1964.

HON. LYNDON B. JOHNSON,
*The President of the United States,
The White House, Washington, D.C.*

MY DEAR MR. PRESIDENT: The National Potato Council wishes to commend you for your splendid message pertaining to agriculture. We have taken particular notice of your interest in the potato program, which is very gratifying, even though our group has not fully supported the acreage allotment approach.

We are also concerned with the marketing and distribution problems of the agricultural industry, and therefore are interested in that part of your message which reads:

"I urge that the Congress establish a bipartisan commission to study and appraise these changes so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibility to consumers."

In this connection we believe that you have not gone far enough, and respectfully urge you to make further inquiry into the situation, similar to the agricultural income inquiry conducted by the Federal Trade Commission in response to Public Resolution 61 of the 74th Congress (approved Aug. 27, 1935) and Public Resolution 112 of the 74th Congress (approved June 30, 1936). The three parts of the published inquiry point out in detail the cost of production, the marketing margins, the spread between the farm price and the retail price, the profits realized by the distributor agencies, the salaries paid officers of the many processing corporations, and the method used in avoidance of taxes.

Since 1959 the National Potato Council has passed, at each annual meeting, the following resolution:

"Since, in our overall national economic structure we are seriously concerned with the disparaging imbalance of the agricultural economy as compared with all other economies and, further, since total farm income is continually dropping, the council recommends that a complete study be initiated by an unbiased agency; namely, the Federal Trade Commission, of all of the agricultural income of farmers and the margins for all segments of the food industry and expenditures for all food items by the consumers as well as the proportions of each commodity used by the various consuming segments."

The National Potato Council fully supports your recommendation to the Congress.

We believe that the Federal Trade Commission is fully qualified to perform this study, particularly since it has such capable personnel at its command.

Respectfully,

A. E. MERCKER, *Executive Director.*

DEPARTMENT OF AGRICULTURE,
Washington, D.C., April 14, 1964.

MR. A. E. MERCKER,
*Executive Director, National Potato Council,
Washington, D.C.*

DEAR MR. MERCKER: President Johnson was pleased to learn of the National Potato Council's support of his views on agriculture which were contained in your March 31 letter. The Department shares the council's concern over the urgent need for resolving the marketing and distribution problems of agriculture.

The type of study you propose holds particular interest for us because it bears a close resemblance to some of the costs and margins work we have been conducting at the direction of the Congress for several years. Since our researchers do not have access to certain kinds of privileged information, some of the elements of costs and margins you mention may not be identified explicitly. However, we believe that our studies do present an accurate picture of the farmers' share of the consumer's food dollar, as well as the shares accruing to the major marketing segments. This work is summarized for the Congress each year. A copy of our last summary is enclosed.

The bipartisan National Commission on Food Marketing which President Johnson has proposed to the Congress would make inquiry into all aspects of food marketing, including those matters which are of particular interest to you. The enclosed legislation has been introduced in the Congress and hearings are now being held. The proposed Commission would be in a position to take advantage of work done by all agencies of Government as well as private industry, and we

believe it is the most promising means of obtaining answers to critical questions now facing the entire food industry.

We wish to assure you of our continued interest in such studies for potatoes and other farm products.

Sincerely yours,

(S) George L. Mehren,
GEORGE L. MEHREN,
Assistant Secretary.

AMERICAN FEDERATION OF LABOR
& CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., April 29, 1964.

HON. WARREN MAGNUSON,
*Chairman, Senate Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR SENATOR MAGNUSON: I wish to take this opportunity to put the American Federation of Labor & Congress of Industrial Organizations on record in full support of Senate Joint Resolution 71, which would carry out President Johnson's recommendation for the creation of a National Commission on Food Marketing.

The study this Commission would make of the food industry from the farm to the consumer is greatly needed, both by the food industry itself and by the consuming public. Many shifts have been taking place in the structure of the industry over a period of years, and in particular there is evidence of a mounting concentration of economic power on the part of the great retail food chains. Recently there has been acute concern and confusion over the precipitous drop in beef prices to producers, a phenomenon which has not been accompanied by corresponding drops in retail prices to consumers. This situation underscores the need for a full-scale investigation of the basic economic factors at work and the development of sound proposals for remedial action.

More than 12 million workers are employed in the \$70-billion-a-year food industry. Labor income and labor productivity in the food industry will undoubtedly come within the scope of investigation on the part of the proposed Commission. There have been allegations from some quarters that labor costs are principally responsible for high prices to consumers for meat and other food products. On the basis of presently available information, our economists believe these charges to be completely unfounded. We wish to assure you of the full cooperation of the AFL-CIO in any inquiries that may be undertaken.

Sincerely yours,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

CALIFORNIA FARM RESEARCH & LEGISLATIVE COMMITTEE,
Santa Clara, Calif., April 29, 1964.

Re Senate Joint Resolution 71, to create a bipartisan National Commission on Food Marketing.

HON. GALE MCGEE,
*Chairman, Senate Commerce Committee,
Senate Office Building, Washington, D.C.*

SENATOR MCGEE AND MEMBERS OF THE SUBCOMMITTEE: Our California Farm Research & Legislative Committee wholeheartedly supports your revised Senate Joint Resolution 71 introduced April 1, 1964, as an extension of the original bill which dealt only with an investigation by the Federal Trade Commission. We feel that the situation in California and nationally calls for a full-scale investigation utilizing all Federal regulatory agencies and centered in the Congress itself. We do not feel that an industry-oriented bipartisan National Commission on Food Marketing is capable of judging its own accomplishments or shortcomings in the interest of the whole people. We commend you for recognizing this and for proposing a commission of 15 members of which 5 would be appointed from the U.S. Senate by the President of the Senate; 5 to be appointed by the Speaker of the House of Representatives from among Members of the House; and the remaining 5 to be appointed by the President of the United States from outside the Federal Government. We rely on the judgment of the President to select

from our great body of informed and publicly dedicated citizens that one-third of the proposed Commission, so selected as to balance geographically and in their concern for the subjects under consideration, will yield the best overall investigating body.

Our committee has been acutely aware of the trend toward monopolistic trends by new sectors of the food industry since our turkey and fryer growers were being forced out of the industry in 1956. At hearings before the Small Business Committee of the House of Representatives that long ago reams of testimony were taken. Many of the growers who testified are no longer engaged in farming. Many others have become captive to feed companies, hatcheries, processors, and/or chains. California's egg industry, as we warned long ago, finds itself the plaything of the market—a market outside of California—but conditioning the price the California egg producer receives for his product.

In December 1963 our committee released a study, "The Family Farm in California," made for us by economist Richard Sasuly, which convinced us that our concept and that of the National Agricultural Advisory Commission was proven; namely, that the efficient, well-equipped commercial family farm was in reality "the backbone of the Nation's and California's vital farm economy."

Mr. Sasuly's conclusion points to the very investigation under consideration in Senate Joint Resolution 71. In his summary of his findings before the California State Board of Agriculture on March 26, 1964, he says in part:

"The smaller family farm, adequately financed and efficiently organized, did not suffer the great decline of the 1940's and 1950's: It remained, as a producing unit, a quite viable entity. *The threats to its existence today are severe, but they come not from the area of production but from marketing.*" [Emphasis supplied.]

And he asks, among other unanswered questions:

"What are the actual marketing experiences of farmers in different commodities who dispose of their products in different ways? What can a marketing co-op do for the family farm? What really are the measurable effects of vertical integration? This single topic is as broad, in content and conception, as all the rest. But even field hearings would, it seems to me, offer some enlightenment * * *"

In the "Summary of Actions Taken on Recommendations Adopted at Meetings of the National Advisory Committee on Rural Areas Development Since December 1962," Subcommittee G—Family Farm, Floyd Higbee, Chairman and Deputy Administrator, Farmers Home Administration, included (Dec. 3, 1963) assigning a special unit of the USDA to continually study and analyze contract farming, vertical integration, other forms of concentration of control over land, labor, and capital in agriculture, and conducting "field hearings to talk to family farmers in different sections of the country * * *"

We sincerely recommend that when Senate Joint Resolution 71 reaches the stage of actual investigation of conditions as they affect the commercial, efficient family farm unit, field hearings be conducted in California where the voices of the men and women who have been victimized by uncontrolled consolidation of marketing units, whether these be at the processing or retail chain level, or by the currently expanding and devouring discount house chains.

In discussing the original legislation, Senate Joint Resolution 71, McGee, last June in Washington with Federal Trade Commission staff and others, I strongly recommended that this "discount house" expansion be included in any investigation undertaken. With its ability to feature any food as a "loss leader," this new type of chain threatens not only the primary producer who is forced to submit to a more severe cost price squeeze, but also threatens middle-sized chains, consumer cooperatives, and of course what may be left of the independent food market.

While members of our committee most seriously affected by current marketing trends are turkey, fryer, and egg producers and low class I contract market milk farmers, a recent study by the California State Department of Agriculture shows pretty definite marketing practices by chains inimical to the best interests of both producers and consumers in both fresh fruits and vegetables. The original "costs and margins" study made for Thompson's seedless grapes and lettuce is being expanded and should provide valuable information when the proposed Commission is ready to accept evidence.

It was our understanding that the record on Senate Joint Resolution 71 would be left open for some weeks, but having received your special delivery letter to the contrary with a deadline of April 30 at 2:30 p.m., P.d.s.t., I am rushing this to the mail and hope it will meet your deadline.

With deep appreciation,

Sincerely,

Mrs. GRACE McDONALD,
Executive Secretary.

STATE OF HAWAII,
DEPARTMENT OF AGRICULTURE,
Honolulu, Hawaii, April 21, 1964.

Senator WARREN MAGNUSON,
*Chairman, Commerce Committee,
Congress of the United States, Washington, D.C.:*

The State of Hawaii in full support of intent and purpose of Senate Joint Resolution 71 establishing bipartisan Presidential Commission to study food marketing structure, integration, and contract farming.

KENNETH K. OTAGAKI, Ph. D.,
Chairman, Board of Agriculture.

STATE OF MONTANA,
DEPARTMENT OF AGRICULTURE,
Helena, Mont., April 28, 1964.

Hon. WARREN MAGNUSON,
*Chairman, Commerce Committee,
U.S. Senate, Washington, D.C.*

DEAR SENATOR MAGNUSON: Since Montana is chiefly an agricultural State, and livestock and grains are our principal source of income, we are indeed concerned as to recent prices for both beef and wheat and feed grains. Since there is a considerable spread between the prices received by farmers and those paid by consumers, it seems an impartial investigation by a nonpartisan group into the marketing practices would be advisable. Therefore, I wish to support Senate Joint Resolution 71 establishing such commission in the hopes that an investigation will shed some light on the changes in food distribution and marketing practices in recent years.

Due to modern methods of packaging and handling of farm products and the increased attractiveness favored by the consumers, it is, of course, apparent that much of the price spread between producers and consumers is the result of such demands. However, prices to the farmer have surely decreased in recent years, while consumer prices, of course, have increased. Since 90 percent of the retail volume of food is handled by firms owning at least some of their procurement and processing operations, an impartial investigation of our food distribution system would be in order.

Sincerely yours,

C. LOWELL PURDY,
Commissioner of Agriculture.

THE COOPERATIVE LEAGUE OF THE U.S.A.,
Chicago, Ill., April 29, 1964.

Senator GALE MCGEE,
*Senate Commerce Committee,
New Senate Office Building, Washington, D.C.*

DEAR SENATOR MCGEE: The Cooperative League of the U.S.A., speaking for its 15 million member families in all the many types of cooperative enterprise in this country, is happy to applaud the President's proposal for the establishment of a National Commission on Food Marketing. And we express the hope that the Senate will move with dispatch to approve Senate Joint Resolution 71 setting up such a Commission.

Through this means light can be thrown into those now shadowy areas of pricing processes and controls and can pinpoint the relevant factors in such a way that even the less sophisticated consumer can understand.

Sincerely yours,

JERRY VOORHIS, *Executive Director.*

NATIONAL COMMISSION ON FOOD MARKETING

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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

H.J. Res. 977

MAY 5, 6, AND 7, 1964

Serial SS

Printed for the use of the Committee on Agriculture



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WASHINGTON : 1964

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NATIONAL COMMISSION ON FOOD MARKETING

TUESDAY, MAY 5, 1964

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m. in room 1310, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Jones of Missouri, Johnson of Wisconsin, Matthews, Stubblefield, Harding, Purcell, Morrison, Rosenthal, Olson, Leggett, Matsunaga, Hoeven, Dague, Belcher, McIntire, Teague of California, Quie, Short, Latta, Findley, Dole, Beermann, and Hutchinson.

Also present: Martha Hannah, staff; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; Robert Bruce, assistant counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We are delighted to have the Honorable Orville L. Freeman, Secretary of Agriculture, here this morning. We will be glad to hear from you now, Mr. Secretary.

(H.J. Res. 977, together with the letter dated April 1, 1964, from the President, and a letter dated March 24, 1964, from the Secretary of Agriculture, Mr. Freeman, and attachment follow:)

[H.J. Res. 977, 88th Cong., 2d sess.]

JOINT RESOLUTION To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, in-

cluding per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States, or otherwise secure data and expressions of opinions. In connection therewith the Commission is authorized—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraph (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to request directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by

the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as it deems necessary for the conduct of its business.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further,* That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS. There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

(The President today sent the following letter to the President pro tempore of the Senate and the Speaker of the House of Representatives)

THE WHITE HOUSE,
OFFICE OF THE WHITE HOUSE PRESS SECRETARY,
April 1, 1964.

HON. CARL HAYDEN,
President pro tempore of the Senate,
Washington, D.C.

HON. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. PRESIDENT: (DEAR MR. SPEAKER:) I recommend that the Congress enact legislation establishing the bipartisan Commission to study and appraise the changes taking place in the American food industry. Enclosed is a draft bill which will accomplish this.

The growth and stability of our entire economy depends, to a large extent, upon the food industry. Its vitality and strength are important to the farmers, processors, distributors, and retailers who depend upon it for their livelihood. Its practices affect all of us as consumers.

Information is not now available to permit an informed judgment concerning the effect of the recent changes in the food industry. We do not know whether the benefits of advanced technology are being fairly distributed among farmers, processors, distributors, retailers, and consumers. We do not know whether shifts

in bargaining power require new laws. We do not know enough about the new character of the industry to determine the extent of the benefits and the need for any relief from hardship which may be necessary.

The Commission would gather the necessary information and report to the Congress, the President, and the public.

In addition to the draft bill, there is also enclosed a memorandum from the Secretary of Agriculture explaining the need for the legislation in more detail.

Sincerely,

LYNDON B. JOHNSON.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, March 24, 1964.

Memorandum to : The President, The White House.

From : Orville L. Freeman, Secretary of Agriculture.

Our economy is constantly changing, and we know little about the effects of change, particularly in the food industry. The farmer produces food more successfully than ever before, yet success has not been rewarded as we expect industriousness and efficiency to be rewarded. The food processor has grown large and efficient, yet he is fighting hard to maintain his corporate identity. The housewife has available a greater variety of food products than ever before, but she is less able to distinguish fact from fancy in food advertising than ever before. The food retailer, once the tail end of the food marketing chain, is rapidly becoming the dominant influence in the food industry.

All these developments indicate that a revolution in food marketing as far-reaching as the revolution in production has taken place. It points to the need for a comprehensive study of our food marketing system, and I am, therefore, transmitting a proposed joint resolution to establish a National Commission on Food Marketing. The bipartisan commission could be composed of 15 members, 5 from the Senate, 5 from the House, and 5 appointed by the President from private life.

It would investigate and document the changing structure of the marketing system for farm and food products, identify the problems raised for various segments of our society by those changes, and recommend such actions by Government, private enterprise, or individuals as it deems appropriate to facilitate adjustments or to improve the marketing structure.

Business relationships among segments of the marketing structure have undergone the greatest change. For some products the central market for buying and selling has at least in part been replaced by direct trading between individual farmers and processors or retailers, with trading itself giving way sometimes to contractual relationships. Shifts in market power, and in formal and informal corporate organizations appear to be taking place. In consequence, many farm groups throughout the country are undertaking measures to strengthen the farmer's bargaining position in selling his products.

There are many examples of these changes in marketing practices, but I will cite only two:

(1) Beef is a lead item at retail. Per capita consumption has risen sharply and quality and service have improved greatly. Some packers, big and little, contend that retailers impose and enforce stringent specifications for product and delivery; that there is price leadership; that retail sales are planned as much as 3 months ahead, setting proportions of beef, pork, provisions, and poultry; that loss of one or a few retail customers may be crippling and, therefore, threat of loss becomes a power instrument. It is alleged that shortrun retail price bears little immediate relation to carcass or to live prices and that returns have fallen to mere survival levels. Similar complaints are made by stockyards and older markets and marketing agencies that have been partly bypassed. Feeders and growers allege that pressures impinging on packers are quite harsh on them also.

(2) Canners, freezers, and dehydrators allege that 10 years ago there were firm and actionable purchase contracts by retailers who took inventory costs and risks and bought at a firm advance price. Now they contend that there are merely statements of intent to buy instead of contracts; that they carry the product in inventory with all costs and risks; that often they must pack precisely to customer specifications, buy and affix retailer labels, and sell on a market-price-at-time-of-shipment basis with little real or usable alternative sales outlets.

No segment or product line of the food industry appears to be unaffected. The traditional marketing system had many built-in protections. It was competitive and dispersed. It was a visible system whose workings were exposed to easy view by both buyer and seller.

The current system is much less patterned and uniform. It is a mosaic of the big and small, of central markets and decentralized trading. Traditional trading remains alongside of telescoped integration that often eliminates trading.

The scope and nature of these changes are by no means fully known. Their effects on farmers, distributors, and consumers are even less well known and understood. The present market structure is not necessarily suspect, either generally or in particular cases. But to the extent that a traditionally open market organization may have disappeared there may well exist a potential threat of grave abuses.

At issue here is not merely what has happened to the food industry of this country. At issue also is the kind of food industry the Nation needs two decades from now. We need to know what we should do to meet our needs and what the proper role of Government is in seeking our goals. In summary, we deal not only with the food industry, but with the shape of the American economy and the kind of a nation in which our children will live.

Involved in these matters are annual retail food sales of \$70 billion, employment for about 11 million wage earners, and operations that daily touch the life of every American and significantly affect the growth and stability of the economy.

I believe that the proposed Commission, with appropriate staff and full cooperation from other Federal agencies which are able to contribute to its work, can develop the required information, and it can help to chart desirable courses of action by Government and by the industries involved in these rapid and far-reaching changes.

I would hope for prompt enactment of this legislative proposal in order that the Commission may start its important work at an early date.

ORVILLE L. FREEMAN.

JOINT RESOLUTION To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer

Whereas the food industry of the United States (herein used to refer to animal and human foods of farm origin) is an important sector of the total economy which involves expenditures of about 70 billion dollars per year at retail, employs about eleven million wage earners, daily touches the life of every American consumer, and significantly affects the stability and growth of the American economy; and

Whereas in the past two decades, significant changes have occurred in the relationships among components of the food industry and in market organization, production, processing, and distribution of food and food products; and

Whereas these changes involve the nature and extent of integration and diversification, supply sources and relationships, and prices and other terms of sale at the several stages of production, processing, and distribution of food and food products; and

Whereas Government, industry and the public urgently need information to sustain informed judgments on the nature, causes, and effects of these changes; and

Whereas it is clearly essential that a comprehensive and objective inquiry be made into the nature, causes, and effects of changes in the food industry to determine desirable objectives in the public interest: Therefore, be it

Resolved by the Senate and the House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. Organization of the Commission. (a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. Compensation of Members. (a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. Duties of the Commission. (a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. Powers of the Commission. (a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions. In connection therewith the Commission is authorized—

(1) To require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submissions shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) To administer oaths;

(3) To require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) In the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) In any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) To pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to request directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

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SEC. 6. Administrative Arrangements. (a) The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an Executive Director and such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

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(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. Authorization of Appropriations. There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this Joint Resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(a).

STATEMENT OF HON. ORVILLE FREEMAN, SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE

Secretary FREEMAN. Thank you very much, Mr. Chairman and members of the committee.

Almost a year ago I appeared before the Family Farm Subcommittee of this parent committee and suggested the need for a deep and penetrating inquiry into the new forces at work in the marketplace for food. I described then my growing concern that the family farm and the consumer, so far as he or she benefits from abundance, were being threatened by two revolutionary forces—the production revolu-

tion and the marketing revolution—both of which are the source of great change in the fabric of American life.

Both revolutions carry within them concealed time bombs which threaten today to explode, to tear and distort the economic and social patterns of our society. We have sought for more than 10 years to experiment with the techniques which will let us live with the production revolution. And I am here today to ask your help in defusing the time bomb which is ticking away in the marketing revolution.

My concern rests on the simple fact that a family farm system of agriculture is vital to the strength of our domestic economy, both as it stimulates the economy directly and as it sustains the ability of the consumer to enjoy abundance at relatively low cost. Food prices today are the lowest—less than 19 percent of take-home pay—in relation to consumer income in our history; and I might add in the history of the world.

The reason is that the family farm has developed as the most effective and efficient system for producing food ever devised. Thus, I am concerned with anything which can endanger this system.

We have witnessed in the past 15 years in this country a miracle in the production of food, a miracle which man could only dream about for centuries. Today, less than 8 percent of our population produces food and fiber for all of us, including a billion dollars' worth of food distributed to needy persons, to schoolchildren, and for disaster relief.

In addition, we are sharing \$2 billion worth each year through food for peace with persons in friendly nations overseas, and we are exporting some \$4 billion more for dollars. We are doing all this, and we still have an excess capacity in agriculture of about 25 percent.

The productivity per man-hour in farming has increased twice as fast as in other segments of our economy in the past decade. Output per acre for crops since 1950 has jumped nearly 40 percent, and production of livestock has increased nearly as much.

These successes have not brought the family farmer the income and the security that such a record of achievement would and should normally bring. His share of the food dollar spent by the consumer has declined steadily. In 1950, 47 cents out of every food dollar went to the farmer. Today he receives 37 cents. The income of the farmer today averages only 60 percent of the income of those who enjoy the abundance he produces.

For the past 10 years, an era of relative peace and growing prosperity, we have attempted to deal with the problems of agriculture mainly through commodity programs. This has been a decade of experiment. We have sought to help farmers adjust their production to the technological revolution on the land so that the human and social costs of that revolution would not be greater than the Nation could afford to pay.

And I believe we are learning from our experiences. It is more obvious today than it was 10 years ago that commodity programs are instruments primarily to deal with the problems of overproduction. It is equally obvious that additional instruments of public policy will be needed for the human and social problems of abundance in rural America.

This was the basis for President Kennedy's food and agriculture program for the sixties, and it is the basis for the policies carried on by President Johnson to broaden the scope of farm programs.

In addition to commodity programs, he has proposed, and the Congress has approved, community programs designed to diversify the rural economy, to provide alternative job and income opportunities for the young people growing up in rural America and who wish to make it their home. His call for a war on poverty also is a bold measure of great value to the rural community, for nearly half of those who live in poverty today reside in rural America.

We have learned further, from our experience, that commodity and community programs are not enough. Farm policy today must include food programs as well. Surpluses result as much from a lack of adequate outlets as from overproduction. Programs such as food stamps enable us to expand domestic markets. Programs of trade and aid enable us to expand commercial markets abroad while we assist developing nations along the road to freedom and commercial stability at the same time.

The administration's program for rural America is a coherent food and agriculture policy which demonstrates that "farm" policy is vital to all citizens, both city and rural. A strong rural economy—a strong family farm system—provide strong markets for much that is produced in urban areas; and strong markets mean more jobs for city wage earners. A strong family farm system of agriculture is the best guarantee that our present food abundance will not become an isolated historical incident, but will always be a part of the American way of life.

I am more optimistic today than I was 4 years ago that we can make progress in solving the problems of abundance, particularly since there is an increasing consensus on the need for a broadly based food and agriculture policy. Yet I fear that even if we are able to make peace with the production revolution, we still will not assure ourselves of an agricultural economy which provides adequate rewards to the farmer.

This committee, in its recent report on "Food Costs, Farm Prices," touched this point when it noted that prices received by farmers have "dropped 12 percent, while the prices paid by consumers for farm-produced food have increased by 29 percent" in the past 16 years.

While this trend is related to the production revolution, it is more directly related to the revolution in marketing which has been going on concurrently, but which has received far less attention. The time has come to begin defusing the time bomb in this revolution as well.

I believe we would be misleading ourselves and the American people if we and they should take for granted, or consider inevitable, the continuance of the family farm and the continuance of the food bargains enjoyed by consumers today. If the time bomb in the marketing revolution explodes, it carries away the family farm and with it our access to abundance at bargain prices.

Until recently, our food and fiber was marketed through an open system of markets, usually free of widespread or continued domination. The operations of the market were impersonal, visible, and often largely self-regulating. It was a system that developed in order

to channel the output of many farms through the processing segment into a retail system with many thousands of small, independent stores.

Today, about 10 percent of the stores do two-thirds of the business. Now there are far fewer buyers at the retail level and they are vastly larger. It is estimated that today fewer than 2,000 persons make the buying decisions for 90 percent of all retail grocery outlets. The merchandising requirements of these retailers are being met, to a large extent, by an almost completely new system. The rise of mass buyers has given birth to new methods and techniques of procurement and production that are much less open to the public eye.

Some of these new techniques are familiar to you, and they are all characterized by an overwhelming disparity of bargaining power. They include vertical integration of farm production with food processing or distribution, or both; by contract or captive farming; and by rigidly standardized marketing systems that make it impossible to fit the efficiently produced output of family farms into the narrow requirements of big processing and distributing companies.

The growth of a food industry which would be closely integrated from production to the retail outlet could virtually eliminate open trading altogether. Carried to the ultimate, it could reduce the farmer to the status of a hired employee, and in many cases an employee without any of the benefits found in the normal employer-employee relationship.

The consumer should take note of these dangers, as well. It has been expressed many times that "good management, marketing oriented—strong enough and big enough—will not contribute to its own price demoralization." This means that if our food were produced largely, or entirely, by big farm corporations closely related to big processing or distributing corporations, there would be supply management of our food by private corporations, for private gain. Should that happen, let the consumer beware.

I do not know how close we are to a danger point. We know that the family farm remains the dominant form of agricultural production, and that it is growing in relation to other forms of food production.

Farms hiring fewer than 1.5 man-years of labor—or less than the farm family itself provides—accounted for 95.7 percent of all farms in 1959 as compared with 94.5 percent in 1944. These farms accounted for over 70 percent of all marketings in 1959 compared with only 66.5 percent 15 years earlier. Farm census figures which will be gathered this year will provide us with information as to what has happened over the past 5 years. We will know better then whether we are approaching a danger point.

There are signs of change which concern me—both as a person dedicated to the welfare of the farmer and as a person aware of consumer needs. There are signs of a lessening of competition—of an increasing fog descending between the public and the marketplace.

The distinction between the retailer and wholesaler is becoming less obvious, and in many cases indistinguishable. There is some evidence that terminal markets for livestock producers are being replaced by other forms. Processors, such as canners and meatpackers, complain today that they are being forced to assume inventory risks which 10 years ago were shared by retailers. And the leaders of the canning

industry have publicly stated that market practices today place "almost the entire risk of capital with the canner."

Practically all the broilers sold in the United States today come from poultry factories selling 8,000 or more birds a year—and it wasn't too long ago when farm flocks provided most of the birds, and pin money for the farmer's wife. Egg factories, completely mechanized and integrated production units, are the common form of production, rather than the exception. In some areas of the Nation, vertically integrated beef cattle feeding operations conducted by packers or chainstores account for a fourth of the total marketings of fed cattle.

Nor can any satisfactory answer be found to explain the sharp increase in spread between what farmers get for what they sell and what the consumer pays for food in the supermarket. This is particularly true in the case of bread and beef.

The retail price of bread has increased from about 14 cents to about 22 cents in the past 15 years, yet the amount the farmer receives out of the sale price of each loaf of bread has declined slightly. The marketing spread has increased by about 80 percent. A recent study of the baking industry identified part of the increase in cost as the inefficient use of resources by the industry.

There is no comparable study for beef, but the farm-retail price spread has increased sharply—from about 22 cents a pound to 36 cents a pound in the past 15 years. There is evidence that the increase is largely at the retail level. The farm-retail spread for pork over the same period is much smaller than for beef, and we do not know why. It indicates that pricing policies may have more to do with the beef price spread than changes in cost.

I would like to emphasize very strongly and emphatically I am not here today to point fingers, however. I am here to ask questions and to ask your help in setting up the machinery to get information not now available. The National Commission on Food Marketing is needed to answer questions for farmers, processors, wholesalers, retailers, and by consumers.

We need answers to such questions as:

1. What changes actually have occurred in the size, concentration, and business relationships of food marketing firms?
2. What will the food industry be like in the future if present trends continue?
3. Will this food industry structure be consistent with the national longrun interest? What will be the effect of this structure on the family farm—on the consumer?
4. What kind of food marketing system do we want?

Many agencies of Government are concerned with the questions posed by this inquiry. In Agriculture, we currently are involved in investigations and litigation affecting a number of areas of food marketing. Under the Packers and Stockyards Act, which requires that we maintain fair trade practices in the livestock and poultry industry, we have instituted proceedings against several retail chains and packers for allegedly manipulating or controlling dressed lamb prices. A companion case involving anticompetitive practices in live lamb buying is currently pending a decision by the Department hearing examiner.

There also is underway a similar investigation into trade practices in the broiler industry which followed a series of complaints by producers. I cite these by way of example without any attempt to discuss the merits of the cases.

Other cases in other agencies also affect the food marketing system. Only last week the Justice Department announced grand jury indictments of a dozen major flour-milling concerns and a half dozen company officers for conspiracy to fix flour prices. Many agencies—Interior; Health, Education, and Welfare; the Federal Trade Commission; State health and agriculture departments, and the committees of the Congress have responsibilities relating to food marketing.

The work of the Commission will encompass the interests of all and transcend the interest of any single one. Its function, its purpose, its objective are different from those of the departments and agencies at the State and Federal level. It will gather and evaluate facts which can help bring understanding to all.

It is essential that the inquiry be carried out by an independent factfinding agency unencumbered by regulatory or other program responsibilities. The success of the study depends on the objectivity and lack of identification with a particular interest—industry, government, or any other. An independent bipartisan commission composed of public and private members of outstanding stature, with a competent professional staff, is the most promising means of achieving this goal.

The Commission should be empowered to obtain whatever information it needs wherever it may exist. The proposed legislation provides for formal and informal procedures, hearings, subpoena power, and access to public and private records. Information available from all Government agencies would be available to the Commission, and the work already done by other agencies would be used to the maximum by the Commission.

Authorized activities of other agencies would not be impaired by the Commission. We expect in Agriculture, for example, to continue the investigations and litigations required by law. Our programs of marketing economic research would be continued. We shall, of course, coordinate these activities wherever possible with the Commission. Other agencies of the Government will do the same.

Within this framework, the National Commission on Food Marketing will be of service to all—will draw strength from many—and will hamper the work of none.

The job of the Commission is large and vital. Its task is not directly concerned with surpluses or price supports or other such farm matters but the answers we seek bear importantly on these issues. Nor is the job the classical task of containing fraud, deceit, collusion, or similar abuses.

It is not a matter of enforcement of present laws or of the adequacy of present services, although these are issues of importance. The critical issue here is a pattern of drastic change in a vitally important industry—changes as yet not fully described or analyzed, and therefore not fully understood.

The basic question we must answer is the kind of economy in which we want to live. The rapidity of change underlines the need for prompt action to obtain the best possible information we need to give the best possible answer to this question.

I urge, therefore, that this committee act promptly and favorably on the legislation to create a National Commission on Food Marketing.

Thank you for your kind attention.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Are there any questions? Mr. Hoeven.

Mr. HOEVEN. Mr. Secretary, I favor the objective of this legislation, but I am wondering what you really hope to achieve. I ask this because during my service on this committee we have from time to time made investigations and have always wound up with a finding showing no one to be getting the gravy. It seems that everything was accounted for, including labor costs, transportation, advertising, marketing, the retailer, the wholesaler, and others. When we got all through with our investigations we never were able to come up with a definite conclusion.

Mr. Secretary, it has been reported that chainstores in this country actually set the price of consumer goods. I would appreciate your comments.

Secretary FREEMAN. I think the question that you have asked is one for which this study would provide the background for an answer. I have heard this allegation. I have seen evidence that appeared to give some support for it. I have seen some studies which clearly and seemingly factually contradicted that. And I, frankly, do not know; and I think that we need to know in the broader scope. I think that we need to have some projections of the road that we are traveling in these various broad and sweeping changes that are taking place, so that we can make some judgments and weigh both the economics of some of these changes and the efficiency or the absence of efficiency and the equity of some of these changes as well. Very frankly, Mr. Hoeven, while there have been some splendid studies made by this committee over the years, I do not believe anything quite as comprehensive as is contemplated here has been made. I would liken this study, really, to the economic reports of the O'Mahoney committee as to the total evaluation of our national economy and the direction in which it was moving. This was a monumental work, completed, as you will recall, shortly before World War II, and it was never actually followed up because of the advent of the war. I envision something of that magnitude here.

Mr. HOEVEN. Mr. Secretary, I think that the Commission must consider the selective demands of the consuming public. For example, the housewife today goes into a large supermarket and finds pork chops and various other cuts of meat are nicely trimmed and wrapped up in cellophane. Of course, the customer is paying for that added luxury. The farmer gets no part of it at all. And as long as we have that kind of consumer demand for such niceties, the consumers will have to pay for such added luxuries.

I do not know how we will ever bridge that gap.

Secretary FREEMAN. I would say only this. I have asked the same question, Mr. Hoeven. For example, I hope that this Commission would help us to be able to answer this question. I am not at all sure that some of the modern, fancy packaging and handling reflects more cost to the consumer and less return to the farmer.

For example, if vegetables are washed, if the tops of carrots or some other vegetable have been cut off—if they are packaged efficiently, one-half of the bulk in weight no longer has to be transported from

California to New York or from Florida to New York. If this happens, it may very well be the case that it is really more efficient and ought to cost the consumer less instead of more and the farmer ought to have a greater share in light of the fact that a wasteful process has been eliminated and at the same time there is a more convenient end product.

We need to know what commodities this sort of thing applies to, and I, frankly, do not know. We have done some work on this in the Department and we have come up with some different answers.

Mr. HOEVEN. The consuming public usually blames the high prices of beef on the farmer, when this is unjustified. They do not take into consideration the fact that they are making some demands which increase the price of food products.

Secretary FREEMAN. I thank you.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. I do not think that I want to ask any questions. I just want to state clearly that this is an effort to get at information that every agency has recognized we need to know and every administration has recognized we need and this committee has continually recognized that we need, but none of us are equipped to do more than our immediate job, and the result is that we never do get to the roots of the matter.

I think this resolution provides a means of going to the fundamentals and doing what the scientists call basic research without apparent immediate practical application, but we all know that you cannot make any sustained advance in science without this basic research. In other words, you have to have the facts before you know how to use those facts.

While I do not know just how we are going to use the facts presented here, I do know that we need those facts and need them desperately. We do need a good deal more information than we have. I do not know any way that we can get it except to set someone up with the special duty to get the information and to get it without any regard to any immediate question confronting us.

So it seems to me that the purpose of this resolution is a very sound one. And while it is one that affects everybody in the country, it should be of special interest to this committee, because it is in the subject both of production and distribution and the consumption of agricultural products, because while we are prone to think that in any single market the costs are always passed on to the producer, that is never true in the case of a shortage of a commodity—where there is a short supply those additional costs are always passed on to the consumer.

It is true that we have had a rather long period of ample supply, as the Secretary has pointed out, but it is equally true that we are, certainly, in a great many instances finding ourselves with a short supply and will in years to come on a great many and various commodities and on those the consumer is going to pay the extra cost. I think that the consumers should recognize that they have just as much at stake in this as the producers have. It seems to me, this is a program in which everybody in the United States should be interested.

The CHAIRMAN. Mr. Latta.

Mr. Latta. Thank you, Mr. Chairman. I am very much pleased with the objectives of such a study, Mr. Secretary. Some years back, the price of hogs fell to about 11 cents, and the price of pork chops was still around 89 cents a pound. It was suggested at that time that our committee investigate this matter. I am wondering whether we really need a new commission to do the job that you feel needs to be done. Can't the existing committees of the Congress do the job?

I am for economy myself, and the amount requested for the new commission looks like a lot of money.

Why couldn't the Agricultural Committees of the House and Senate do the job that needs to be done with the staffs that are now available?

Secretary FREEMAN. Well, I would not presume to pass judgment on a joint committee from the legislative branch of Government. I am sure that an effective one could be set up. But I think that a broadened dimension of participation from the public at large would strengthen it and that is why the President has recommended a commission that would include representatives from both the House and the Senate, plus members from the public.

Mr. Latta. We are supposed to be representing everybody. We have had a lot of investigations conducted by the Congress that have been quite fruitful.

In reading over the objectives of this bill, and, also, your statement, I do not find anything that could not be accomplished in such a fashion. I feel that a lot of the things you have pointed out need to be investigated. Certainly, your Department has information on some of these items.

Here, for example, on page 2 of this bill it says:

The Commission shall study and appraise the marketing structure of the food industry, including the following: (1) The actual changes, principally in the past two decades in the various segments of the food industry—

and so forth.

I am certain that your Department has kept pace with what has been going on during the past two decades in this field. Am I right or wrong?

Secretary FREEMAN. With the research facilities available to us, we have done our best, but as I said earlier, there are a number of questions that are far reaching in their scope and implication and we do not have either all of the facts or the foundation upon which to reach judgments or to make recommendations on them. I thought that Congressman Poage stated it rather well a moment ago in connection with some of the struggles of this committee to get more information and I would share his judgment that there was not adequate information available in a number of these areas.

Mr. Latta. I share the same feeling that we do not have all of the information, but the question that I am raising is whether or not this Congress should not on its own initiative, with the aid of the Department of Agriculture, go into this matter and investigate these things. The Senate and the House can do this job before July 1, 1966, as called for in this bill. I think it needs to be done before July 1, 1966, and that is 2 years away.

Secretary FREEMAN. I think that you would agree that there is nothing in the resolution that says that the report could not be filed before that time. It sets that as the time limit so that it would, cer-

tainly, be completed by that time. I am sure that the members designated from the Congress, as well as the public members designated by the President, would be anxious to expedite such a study as rapidly as possible and hopefully it would not require the full 2 years.

I am sure this would be because of the urgency which your question implies.

Mr. LATTI. I have just a few questions here about page 10 of your statement, where you say :

Only last week the Justice Department announced indictments of a dozen major flour milling concerns and a half dozen company officers for conspiracy to fix flour prices.

I do not know which companies were indicted. I presume, perhaps, the big ones. I would like to know how many of these that were indicted by the Justice Department last week were in support of the administration's certificate plan that passed the Congress recently and how many were not.

Secretary FREEMAN. I think that is a highly inappropriate and improper question. The inference from it is highly improper and uncalled for. I do not know the answer and I would have no way of finding out. I prefer not to respond to the question unless the chairman instructs that I should.

Mr. LATTI. I do not think it is an improper question. I think it is something that we ought to know about.

The CHAIRMAN. What was the question?

Mr. LATTI. How many of these companies supported the administration's certificate plan for wheat and how many did not?

The CHAIRMAN. How would he know that?

Mr. LATTI. He is the Secretary—he should know it.

The CHAIRMAN. Do you know who voted for the wheat program in your district? I certainly, do not. I do not suppose he knows.

Mr. LATTI. I want the question answered.

The CHAIRMAN. I think that you should withdraw the question.

Mr. LATTI. I want the question in the record. I will not withdraw it.

The CHAIRMAN. He has answered it as best he can under the circumstances.

Mr. Abernethy.

Mr. ABERNETHY. Mr. Secretary, I think that there are many areas in which a commission of this kind could render a service and I believe it would render a service that would be good. At the same time our present system of food marketing is in most respects very good and generally satisfactory.

I am not clear as to what the food handlers are doing that would encourage the establishment of a commission to inquire into their marketing secrets. The resolution makes reference to such.

What I am getting at is this, there are already so many instances of subpoena power in this Government that I have some hesitancy in adding to such. What is it that the markets are doing that on investigation would warrant use of the subpoena power?

Secretary FREEMAN. I will answer this question with some caution because I am not here to point the finger of blame at anyone.

The purpose of this Commission is to make a completely objective appraisal and—

Mr. ABERNETHY. Appraisal of what?

Secretary FREEMAN. An appraisal of the changes that are taking place which are placing very significantly increased power in certain areas of marketing.

Mr. ABERNETHY. What do you mean by "power"?

Secretary FREEMAN. The fact that, as I stated in the testimony, an estimated 2,000 people do the procurement of 90 percent of the food that is retailed. Obviously, this means that a determination of the price is being made or potentially can be made by these 2,000 people who are buying 90 percent of the food that reaches the consumers as a product of this system.

Mr. ABERNETHY. Do you mean that these buyers for the large marketing food chains who do their buying—it could not be anyone else?

Secretary FREEMAN. The food chains, associations of all kinds, groups who have joined together to pool their respective business practices in order to bring about greater efficiencies. As I tried to relate here, there are complaints which reach us from the packers as to some of the standards that they are required to meet. Is this good or is it bad? Certainly in the fruit and vegetable field many of the producers feel that they are called on to produce to certain specifications, sometimes as to packages, sometimes to the label; often without any kind of contract, but with just a general understanding that if these specifications are met there is a likelihood that significant purchases will be made.

Quite a number have complained of the change in the carrying of the inventories. Where previously the wholesalers, or in some instances the retailers, would carry the inventories, today the producers or the producer organizations are literally carrying these inventories. A whole host of such changes have occupied where formerly the usual play of millions of interlocking forces in the marketplace set the price. And today fewer are bringing about the end result.

As Congressman Poage said, the implications from this are not clear. It would seem that the consumer, by and large, has benefited, because the price of food in relation to other things has been low and because the percentage of take-home pay spent for food has steadily dropped.

On the other hand, whether the producer has or has not, it would seem, as I tried to relate, that the producer certainly has not benefited; but there are other factors involved in this, too, and where all of these changes carry us, we do not know.

The fact that today we have feedlots that are turning out hundreds of thousands of fed animals and the effect this has on the cattle cycle adjustments which we have gone through periodically in this country, is another question, and no one really knows the answer to it. Are these large feedlots a good thing? Are they economic? And are they efficient? Or do they wield power without necessarily being more efficient?

Mr. ABERNETHY. Yes.

Secretary FREEMAN. There are all kinds of questions of this kind, such as vertical integration and contract relationships. In some instances when I personally discussed this, the results seemed to be good and in others they seemed to be highly questionable in terms of both the economics and the equities. So I think that there is a host of

unanswered questions, ungathered facts that we need to know a great deal more about.

Mr. ABERNETHY. I have no interest, substantial or otherwise in the food industry. In looking over pages 5 and 6 of this resolution, we are called upon to place some mighty strong power in the hands of a commission. There is anticipation on the part of some. I do not know who, that the power of subpoena will be needed to get somebody, I know not who, before the Commission, requiring them to bring their records, books, and so forth.

And then on page 6 we assume that the Commission would learn who some of their associates are, who they trade with, what their business transactions amount to, and would gain information about their trade secrets, the names of their customers, et cetera, and then it goes on to say that the Commission shall hold in confidence and not disclose any of this information.

That just leads me to suggest that where you have a commission of 15 people with a professional staff of 8 or 10, plus many investigators, that I do not think it will be possible to keep secret the things they learn about a particular business. What is there about their businesses they do not disclose now that we need this Commission to look into?

Secretary FREEMAN. From all indications, there is support for this Commission and the objectives from all segments of the food industry that would be making available information which the Commission would treat on a confidential basis, information secured by way of subpoena. We get a good deal of information in the Department of Agriculture on a number of things that we do not make publicly available for the reasons you have just related. And hopefully, there would never be any need for the subpoena power.

Mr. ABERNETHY. Is there opinion that there would be a need for the subpoena power?

Secretary FREEMAN. I think that the subpoena power would be essential to make sure that critical information which might conceivably be withheld, for reasons of self-protection, would be made available. Otherwise, there would tend to be the concern which you expressed that information from one might be made available and not information from another and I think that you could say in this instance that the subpoena power is a kind of instrument of equality to be sure that everybody participates.

Mr. ABERNETHY. I think you are familiar with the fact that every time we have any sort of a resolution conferring subpoena power upon any commission or upon a committee of the Congress, it is always questioned rather meticulously and granted only after the most careful consideration and then very guardedly.

Secretary FREEMAN. Yes, and properly so. I would certainly agree.

Mr. ABERNETHY. I think so. And that is my only reason for raising the question here.

That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Mr. Quie.

Mr. QUIE. Mr. Secretary, the five appointees by the President, what type of individual is envisioned would be appointed?

Secretary FREEMAN. The President, obviously, would make that decision, but I have reason to believe that what he contemplates is people of great public respect and maturity and experience in public

affairs. And, certainly, no one who had any kind of personal interest, or any kind of preconceptions. As I say, a person publicly accepted, a person of integrity and high moral standards and experience, with a broad base in both public and private affairs.

We do not contemplate balancing off various segments of the food industry that might be competitive with one another, but rather, having people who could cut across all areas.

Mr. QUIE. In other words, would it be unlikely that anyone connected with any food industry at the retail or the wholesale level or at the packer level would be on it?

Secretary FREEMAN. That is not contemplated.

Mr. QUIE. What about the employees of the Commission—would it be expected that some of these employees would be employees of the Federal Government prior to this time, such as contained on page 7, subsection (c), "the head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of his personnel to assist the Commission in carrying out its work."

Secretary FREEMAN. I think this would be a matter of discretion on the part of the Commission as to the resources they wished to draw on, but it is made clear that we do not feel that any department or any agency of Government involved in enforcement as such and the personnel involved in enforcement should play prominent parts, because the purpose here is not enforcement, the purpose of this is to develop information. We would not want this information from prejudiced sources and we would want to avoid alarm that would in any way obstruct the effort to get a completely good picture.

Mr. QUIE. Why would it be necessary for any Federal employee to be employed by the Commission?

Secretary FREEMAN. I do not think that it would be absolutely necessary at all.

Mr. QUIE. If there was any concern on our part about it, you would not have any real objection to removing this authority?

Secretary FREEMAN. I believe not. I believe in other places throughout the country that competent and effective people could be obtained if it was felt by this committee and the Congress desirable to do so.

The CHAIRMAN. Will the gentleman yield?

Mr. QUIE. Yes.

The CHAIRMAN. I think that the resolution contemplates that the Commission could use other agencies of the Government and it authorizes other agencies of the Government to cooperate with the Commission.

Secretary FREEMAN. Yes, it does. And the question of whether the Commission ought to draw on personnel in the Government as a part of their staff is a question that I really think the Commission ought to determine in relation to their needs and their objectives. I, personally, believe that it ought to be within their discretion.

The CHAIRMAN. You would not want to eliminate all Federal employees because they have a lot of capable people who could furnish very vital information to this Commission. The recent report which this committee made on food costs and farm prices was made possible by considerable help from the Department of Agriculture and the Library of Congress, and without that we could never have prepared

the report. And furthermore, I do not think that the Members of the Congress would have had the time to do it, nor will this Commission, so I think that they will have to use Federal employees and we have many fine people in Government who could work on this.

Mr. QUIE. The Commission could get all of the information they needed from the Federal agencies. They could say that we want this and that. As to this hiring of the people for a period of time, will they be employed by the Commission and then go back to the Department of Agriculture, for example? Not only to the Department of Agriculture, but to the other departments that have been mentioned? And, they will feel a loyalty toward the agency from whence they came. So far as that is concerned, there are capable people outside of the Federal departments who could be hired.

Also I want to mention, in subsection (b) it states that "the Chairman is authorized to obtain services in accordance with provision 15 of the act of August 2, 1946."

And it states that rates for individuals not to exceed \$100 per diem.

Secretary FREEMAN. This refers to the obtaining of service as provided for by Federal law, such as consultants and specialists, who might be brought in by the Commission to do particular kinds of research and to bring to bear special skills they might have.

Mr. QUIE. And the regular employees of the Commission would be hired under subsection (a) where you say that it would be at salaries no higher than GS-18?

Secretary FREEMAN. Yes.

Mr. QUIE. And then you feel that there are some people that might well be hired, we will say, for a week?

Secretary FREEMAN. This the statute provides for, that kind of special consulting service that most of the executive branches of the Government currently can do and do do, and the Commission would have comparable authority.

Mr. QUIE. Would you expect any Federal employees to be involved in this?

Secretary FREEMAN. Very frankly, I have not thought about it. I think that would be a matter for the Commission. I would think not, but again, the Federal employees would be hired on a reimbursable basis. Their agency would be reimbursed if they were detailed to do a particular job, rather than on any other basis.

Mr. QUIE. Would the members from the Senate and the House be on a political basis, three Democrats and three Republicans, or what? I do not see that in the bill. Is this contemplated?

Secretary FREEMAN. I do not know.

Mr. QUIE. The Speaker and the President of the Senate would appoint these people.

Secretary FREEMAN. I have really not thought much about it except that it is made very clear that this is nonpartisan. I think the word "bipartisan" instead of the use of the word "nonpartisan" might be better. Maybe it would work out that way and maybe it would not. I would not presume to say.

Mr. QUIE. Would you expect that the five members appointed by the President would be nonpartisan rather than bipartisan?

Secretary FREEMAN. Yes: I prefer to use the word "nonpartisan." I am sure that every effort would be made so that no one who has any possible political motivation would be selected any more than anyone

who had any particular interest in a commodity group or a special segment of the agribusiness complex would be selected.

Mr. QUIE. Why do you have such a high representation here from the Congress, 10 out of the 15 from the Congress? That is quite high. You might as well have a committee of Congress do it. Mr. Latta thought that it should be the committee of Congress. I am wondering if there are not too many from the Congress on this Commission. If you tell me that there are too many Senators rather than Representatives from the House, all right.

Secretary FREEMAN. Thank you. [Laughter.]

Mr. QUIE. I am just wondering about this. I am wondering about the reason for having that many members from the legislative branch.

Secretary FREEMAN. It is a matter of judgment, but I think that this is the usual balance. Any course of action that such a Commission might recommend would need to come before the Congress. To the extent that Members of both Houses have had the experience of participating in this, a nonpartisan or bipartisan action, I think that we would be in a better position to carry it through on legislation, and so I think that involvement would be useful as we look down the road to some results. Sometimes our committee reports and commission recommendations go into a cubbyhole somewhere and I think that is often true with congressional ones and is certainly true of those that we make in the executive branch. I think that we have a reasonable mixture here and that we can get some action on this.

The CHAIRMAN. I would like to see all five House Members come from this committee—we have some very devoted men on this committee.

Mr. QUIE. I have one more question, Mr. Chairman.

On page 2 of your testimony you say, "And we still have an excess capacity in agriculture of about 25 percent." I have never seen that figure before. I wish you would give a little explanation on that to us. Does this mean that we have an excess capacity above our domestic use, or does it mean that we could greatly increase our production capacity in agriculture from the land that we have? What does that mean? "And we still have an excess capacity in agriculture of about 25 percent."

Secretary FREEMAN. This is, of course, a calculation based on a study that was made some time ago in the Department by a task force on the assumption that we had 90 percent of parity or better prices and price supports on that basis, and we said, "Go to it and produce all that we can produce." Assuming that the acres presently out of production were in production, and the full capacity of our agricultural plant was moving at 100-percent output, it was calculated that our output would increase in the neighborhood of 25 percent more on the total basis.

Mr. QUIE. In other words, we now overproduce by what, 6 percent?

Secretary FREEMAN. What we are really struggling with is 6 to 8 percent.

Mr. QUIE. In other words, if we had 90 percent of parity or above, with no restrictions at all, that would jump up 25 percent?

Secretary FREEMAN. Yes, that is right, based pretty much on the experience of the sharp upturn, when we went into World War II when the whole emphasis was on producing all that we could, instead

of the counterproblem which we are fortunate in a sense to have, but which distinguishes us from a great part of the rest of the world.

Mr. QUIE. The other question on your statement that I have is on page 8, at the top, where you say, "In some areas of the Nation vertically integrated beef cattle feeding operations conducted by packers or chainstores account for a fourth of the total marketings of fed cattle."

I was wondering what kind of region you are picking. Perhaps it would be better if you would put in the record what statistics you have for the Nation, because the movement of cattle is quite widespread. I would like to know the percentage of feeder cattle which are being fed by the packers and the percentage which are being fed by the chainstores.

Secretary FREEMAN. All right. I have some figures on that here. Let me put them in the record by some of the primary feeding States, showing the total number of cattle fed out—the number fed by packers; that is, the percentage fed by the packers, by States. I would be happy to put that in the record.

Mr. QUIE. All right.

(The information requested above follows, except that individual data by States was not available:)

Livestock fed by meatpackers for 30 days or more with comparisons, 1957-62¹

Type of packer and year	Cattle			Calves			Cattle and calves, percent of fed marketings	
	Number of firms	1,000 head	Percent of commercial slaughter	Number of firms	1,000 head	Percent of commercial slaughter	13 States ²	28 States ³
10 major packers:								
1957.....	8	157.1	0.6	2	1.9	(⁴)	1.7	-----
1958.....	7	208.2	.9	3	9.4	0.1	2.2	-----
1959.....	6	144.5	.6	2	13.6	.2	1.5	-----
1960.....	8	239.8	1.0	3	22.7	.3	2.4	-----
1961.....	8	294.5	1.2	2	19.1	.3	2.6	-----
1962.....	8	296.4	1.1	2	19.8	.3	2.6	2.2
Retail food chains:								
1957.....	3	25.6	.1				.3	-----
1958.....	3	19.5	.1				.2	-----
1959.....	3	30.0	.1	1	.7	(⁴)	.3	-----
1960.....	4	27.1	.1	1	.1	(⁴)	.3	-----
1961.....	4	39.0	.2				.3	-----
1962.....	2	25.5	.1				.2	.2
Other packers:								
1957.....	135	361.6	1.4	25	11.4	.1	4.0	-----
1958.....	161	461.0	2.0	36	31.0	.3	5.1	-----
1959.....	143	418.6	1.8	31	9.7	.1	4.1	-----
1960.....	148	548.3	2.2	26	18.7	.2	5.1	-----
1961.....	191	532.0	2.1	39	34.6	.5	4.8	-----
1962.....	197	614.4	2.4	47	25.3	.3	5.2	4.5
Total:								
1957.....	146	544.3	2.1	27	13.3	.1	5.9	-----
1958.....	171	688.7	2.9	39	40.4	.4	7.5	-----
1959.....	152	593.0	2.6	34	24.0	.3	5.9	-----
1960.....	160	815.2	3.2	30	41.5	.5	7.8	-----
1961.....	203	865.5	3.4	41	53.7	.7	7.7	-----
1962.....	207	936.3	3.6	49	45.1	.6	8.0	6.9

¹ Summarized from annual reports of packers filed with the Packers and Stockyards Division, AMS. Livestock fed separately by owners, directors, officers, and employees of packer or nonreporting subsidiaries and affiliates are not included.

² The 13-State fed cattle marketing data when published by the Statistical Reporting Service, USDA, included Ohio, Indiana, Illinois, Minnesota, Iowa, Missouri, South Dakota, Nebraska, Kansas, Texas, Colorado, Arizona, and California.

³ Prior to 1960, the 28-State fed cattle marketing data were not tabulated by the Statistical Reporting Service. Includes 13 States listed in footnote 2 and Pennsylvania, Michigan, Wisconsin, North Dakota, Georgia, Alabama, Oklahoma, Montana, Idaho, Utah, Wyoming, New Mexico, Nevada, Washington and Oregon.

⁴ Less than 0.05 percent.

The CHAIRMAN. Mr. Teague of California.

Mr. TEAGUE of California. I am a little concerned about your answer to Mr. Quie's question concerning the probable makeup of the public members of the Commission—and if I understand you correctly it would seem to me that you would rule out some of the best qualified people. For example, Sunkist growers is, probably, as large a marketer of farm products as there is—it is a cooperative, as you know, and my understanding is that cooperatives market sometimes to brokers, sometimes by direct sales to the chainstores, sometimes to auction markets—in every way possible, and it would seem to me that possibly the manager of Sunkist might be in a position to be a very valuable member of this Commission.

I understand that a man with that close relationship to the marketing of farm products would not be considered by you to be a proper member of the Commission.

Secretary FREEMAN. I would feel that it would be preferable not to have a person who has operating responsibilities and is a part of the agri-business complex serving actually as a member of the Commission.

It has been my experience that once you have one special interest represented, you match it with another, and you are kind of off to the races. In other words, you have the question of what are the interests of this particular person because of his operating responsibilities. Such a person would be invaluable by way of testimony, advice, consultation, but it would be my feeling that a commission would be sounder and the results would be better if it did not have anyone who was actively engaged in the agri-business field at this time.

Mr. TEAGUE of California. I can see some merit to that, but you would be reduced to college professors and people like that if you do not want to have anyone who has any connection with business.

Secretary FREEMAN. I do not think that is necessarily the case. There are a number of people who have operated—I do not have any names in mind, believe me—in a number of areas, have served with a variety of kinds of organizations and commodity groups who no longer are doing so and have not for some time—people who have been conceivably in Congress at one time and had exposure to this who are now in private life, and not related directly to it—people in other professions, the sciences, law, others not directly related to it. I am sure that in a nation of 190 million people we can find 5 who will be top flight and will bring to this the right kind of know-how and background and balance of judgment.

What we are really seeking here is some balanced judgment rather than expertise. Expertise can be hired. People can be called in to consult. We really want someone with a balanced judgment, with public confidence and of bedrock integrity and sense of values.

Mr. TEAGUE of California. Then you would, by your definition, rule out, for instance, the president of the Farmers Union?

Secretary FREEMAN. I do not think that any top officer of a farm organization ought to be on it.

Mr. QUIE. One last thing which I think you may supply for the record. I wonder how you will spend \$2 million, et cetera. You must have something in mind. If you will provide that information for the record.

Secretary FREEMAN. I will be happy to do so.

(The information follows:)

Preliminary estimate of obligations for the National Commission on Food Marketing

[In thousands of dollars]

	Fiscal years	
	1965	1966
Salaries and related benefits (provides for 74 permanent positions).....	730	\$740
Travel.....	110	110
Supplies, equipment, printing.....	100	90
Automatic data processing services.....	125	125
Other expenses (rent, utilities, services of other agencies, miscellaneous support).....	185	185
Total.....	1,250	1,250

Note.—The above reflects the Department's preliminary estimates as to how these funds would be used. After establishment, the Commission itself would develop more detailed estimates which may vary from the above.

The CHAIRMAN. Mr. Belcher.

Mr. BELCHER. If this Commission is really to accomplish anything worth while it must be in the nature of a jury to determine the facts unbiasedly by and have the confidence of the public, because if there is anything to be accomplished it will have to create public sentiment.

Secretary FREEMAN. Correct.

Mr. BELCHER. For the solution of the problem you are attempting to solve. That being true, on this Commission five members should be members outside the House and the Senate—it should be five members who have no bias, nor interest—the Commission should be in the nature of a jury, a fact-finding body to submit the facts for the action of the Congress and if we have that kind of a Commission, whether Republicans or Democrats, then I think that the Commission would serve a purpose, because when they do file the report it will have the confidence of the public—it will have the confidence of the departments—it will have the confidence of the Congress.

If we establish that kind of a Commission I think that you will accomplish something.

If, for any reason any reflection is cast upon the Commission either in the appointment of individuals or in its actions, that will lead the public to believe that it was either a whitewash committee or a crusading committee attempting to punish somebody, then I think that we will have destroyed the entire value of this.

Do you not agree with that?

Secretary FREEMAN. Yes, sir. I think you have stated it very well, and I agree with you completely.

The CHAIRMAN. Mr. McIntire.

Mr. MCINTIRE. On Page 2 of your statement, Mr. Secretary, in the third paragraph, you refer to this, and I quote, "In 1950, 47 cents out of every food dollar went to the farmer. Today he receives 37 cents."

Is it the purpose of this to try to determine why this decline in the farmer's share of the food dollar?

Secretary FREEMAN. This is one of the questions that I would hope the facts gathered by the Commission would shed light on, yes.

Mr. McINTIRE. Of course, we could participate without drawing any conclusions in that respect. It seems to many of us that this is a lack of bargaining power on the part of the farmer in relation to marketing his production.

Secretary FREEMAN. I have been known to say that on several occasions. I would agree.

Mr. McINTIRE. Thank you very kindly.

The CHAIRMAN. Mr. Short.

Mr. SHORT. Mr. Secretary, I know this is the committee's responsibility, but I think that we ought to take some real objective looks at the merits and the demerits of how many Members of Congress are members of this committee.

In the first place, the chairman has pointed out that the Members of Congress are very busy; unless the hearings and most of the deliberations of this Commission were held in Washington where most of the Members of the Congress are they would not be present for hearings. Maybe this would be good and maybe bad. The Members of Congress, after all, are people in politics who are elected to office by the people of their district. The more influence you have on this Commission by these Members, it seems to me, the more you have a partisan situation and the converse of this, I think, is, probably, that the people in Congress, the people of the agriculture committees, perhaps in a broad sense with their background of experience in this general problem is a good argument as to why they should not be members on this Commission. I think the very reason that our congressional committees have not gone into this is the simple practical reason that we just do not have the time. I do not think these Members of Congress will have very much more time to devote to the efforts of this Commission.

I am not saying this critically. This is one facet of this thing that I would like to get your observations on.

In reading the bill I do not know whether or not it can be interpreted as extending to this Commission the authority to look into the question of imports, the effect of imports on the supply of food products in this country.

Is it your interpretation that the bill provides that this Commission can look into this facet of this subject?

Secretary FREEMAN. I have not thought about it. This was not the primary purpose and focus. It was rather to review what was taking place in our own marketing procedures. But the effects of price on imports of various commodities and the effect on our position vis-a-vis trade as an importer and exporter—and we are the greatest of both in the world—might very well be a pertinent factor in this inquiry. I do not see anything to preclude it.

Mr. SHORT. I think the problem focuses at this time, Mr. Secretary, on this question of imports. As we have proposed in the beef industry we think a moderate vehicle that can be used; namely, that when prices are depressed because of our production, we restrain imports. We have had a recent experience in eggs coming into this country from Denmark when egg prices were depressed.

What should be our policy? Should we have the means of restraining the importation of some products, not necessarily a farm products? This Commission would be dealing with farm products, but should

we have the discretion of restricting imports at a time when the price of that particular product was severely depressed because of a cyclical increase in production here in the United States?

Secretary FREEMAN. There would be nothing in the bill that I see that would preclude that and it might lead to judgments on that.

Mr. SHORT. I am just wondering about the authority of the Commission. Section 4 at the bottom of page 2, where it sets out the duties of the Commission, says, "The Commission shall study and appraise the marketing structure of the food industry."

Putting a broad interpretation on that, maybe it would authorize them to look into the subject of imports.

This brings me to the question that I was primarily interested in asking. If we start delving into this matter of imports from foreign countries—and I just appeared before the Tariff Commission this last week—and I was somewhat amazed when I was down there to find that representatives, legal counsel for the foreign packers were down there before the Commission engaging in some very extensive questioning of the people who were appearing before the Commission, advocating that the industry was justified in asking for some relief from excessive imports.

Would it be your thinking that this Commission could go to a foreign country to look into how the balance of trade was working and the origin of food being exported to the United States.

You pointed out in your statement that the purpose of this Commission was to protect the family farm. And in the process of protecting the family farm structure in the United States should we give some thought to the kind of farm structures we are dealing with in foreign countries that provide a portion of our market?

Should the Commission go into this, also?

Secretary FREEMAN. I think so, yes.

Mr. SHORT. Do you think they should?

Secretary FREEMAN. I would not presume to tell you what the Commission ought to do or ought not to do. It will be, as it now stands, composed of Members of Congress and people of very high public stature given the guidelines set down by the Congress. And I think that will pretty well determine where the trail leads. The main thrust here is to take a look at what is going on in terms of internal changes and to evaluate them. The question that you posed might very well call for an answer in order to evaluate them. If so, they may very well do some investigating and make some recommendations in that field.

Mr. SHORT. If we attempt to compete with some of these foreign countries, particularly in the field of importation of beef, and I am not one of those who says that we should shut it out completely, I think that we should be aware of the kind of operations in these foreign countries that we are attempting to compete with.

The CHAIRMAN. Will the gentleman yield?

Mr. SHORT. Yes.

The CHAIRMAN. The Common Market is restrictive, and it is governed by what is going on in that area.

Secretary FREEMAN. Yes, sir.

Mr. SHORT. I think, Mr. Chairman; Mr. Secretary, it is important for us to understand the kinds of farming operations; that is, livestock operations, for example, that we are trying to compete with

in a country like Australia. Australia is our good friend and has been our good friend through two World Wars. They have never been the recipient of any foreign aid. I think we have somewhat of an obligation to them as much as we have a favorable balance of trade. I would not cut them off, but in the context of fair competition I think we have to recognize that we are attempting here to preserve the family farm structure in the United States, and we are attempting, also, to compete with the production of some operations in Australia that run an extremely large number of livestock.

Secretary FREEMAN. I am sure that you will be glad to know that I have called in the advisory committee which has been appointed from all areas of the beef industry to meet within the next few weeks to review the very extensive actions that have been taken by the Department because of the drop in fed steer prices with which we are gravely concerned. And this question has been discussed with representative people from the cattle industry who have been in Australia and have studied their operations. We are giving very careful analysis not only to Australia's productivity in this field, but that of New Zealand and other nations, and the overall world markets. One of the things that is taking place now is a rapidly growing market for beef in Western Europe as their standard of living rises, but a rather restrictive policy by much of Western Europe in terms of imports.

We have been meeting and cooperating with the Australian and New Zealand meat study group looking toward opening some of these markets so that they can live as well as ourselves; and at the same time we are keeping close track of their operations and potential in relation to ours.

Mr. SHORT. I am quite aware of all of this that has been going on, Mr. Secretary. I commend the Department for making such efforts as it has.

May I ask this simple question? In the context of the possibilities of selling meat to Europe, are you at the present time as the demand for beef in France and Italy increases, attempting to secure relaxation of restrictions on importation of products that they produce within the EEC?

Secretary FREEMAN. This is one of the things that our negotiators are pushing very, very strongly.

Mr. SHORT. That is why I asked the question. In this Kennedy round of negotiations that is going on at Geneva, we are over there with the proposition that we will reduce tariffs on their commodities as much as 50 percent in return for some corresponding reduction.

We start out with the lowest level of almost any country in the world, I believe, on almost every agricultural product, do we not? That is, certainly, true of beef.

Secretary FREEMAN. That would be true of beef. We do not sell any beef at this point of any consequence in Western Europe but the reason we have not had access so far to that market is the price.

Mr. SHORT. That was the point that I was getting to. What are the possibilities of their price level on beef reaching a level of our price level? In the first place, you are dealing with a different quality of meat.

Secretary FREEMAN. That is correct.

Mr. SHORT. It is not the quality—we are dealing with a different grade of beef.

Secretary FREEMAN. This is something that we are giving a great deal of thought and study. For one thing, I, personally think, and work has gone forward on this, that in the high-quality-fed-steer category there is a potential market over there in the red meat, so called, that has not been fed out but is range grazed, which is the kind they now use. They do not have the same quality meat generally, and there is another question there, but it is true that their economy is growing rapidly, their standard of living and their per capita consumption have risen, as has our annual per capita consumption which has risen to the phenomenal figure of 95 pounds.

Mr. SHORT. That is what we produce?

Secretary FREEMAN. In Western Europe consumption is, I think, only one-half of that but it has been rising very rapidly. And what we are trying to insure is that we have a ready access to those markets.

We also run into a problem in some of these countries; we run into this on poultry and we run into it on meat—restrictions because of some of our production practices. For example, the use of various kinds of chemicals for various reasons, and the quarantine. That is another thing that we will try to negotiate, but to the extent that the markets are available, to that same extent we will have access to them, and those who have been exporting heavily to the United States will have access to them, too.

So it is pretty well all tied together. We have been working with the Australians and the New Zealanders in the meat study group of GATT and we are very conscious and keenly aware of both this problem and the potential.

Mr. SHORT. Would they not raise the import levies on beef as they have already on poultry and pork products?

Secretary FREEMAN. Our basic position in these negotiations is that we insist that there should be fair and reasonable competitive access to the markets there. We believe that this, basically, is the position which is sound. And we seek to protect those markets. We are not a substantial exporter to Western Europe. They import relatively small amounts of agricultural commodities.

The CHAIRMAN. What is the present stage of the negotiations that we have heard so much about?

Secretary FREEMAN. They have officially opened this week, Mr. Chairman, and the preliminaries are now underway. There have been a number of public statements made by various countries, the import of which we have not yet fully analyzed. The various committees will get down to cases in bargaining in the weeks ahead. This will not be a short process. It will, probably, be a fairly prolonged negotiation.

The CHAIRMAN. Has there been any further action regarding New Zealand and Australia?

Secretary FREEMAN. First of all, the voluntary agreements provided for a cutback in the number of imports.

The CHAIRMAN. But you rolled them back 3 years instead of 5 years?

Secretary FREEMAN. Subsequent to that.

The CHAIRMAN. Is that right?

Secretary FREEMAN. It was on a 2-year basis. It was based on a 2-year basis and subsequent to that we have been working with Australia and New Zealand and they have been cooperative, recognizing that we are at a difficult time in our cattle cycle. I do not want to make any definitive estimates at this point but it looks very likely that the amount of meat imports will be cut back quite significantly over that of last year and that they will not be much in excess of the 5-year average which is called for in some legislation, but that is just a guesstimate at this point.

The CHAIRMAN. It will be much more than that.

Secretary FREEMAN. That would be my estimate at this point.

Mr. JONES of Missouri. Would you yield for a second?

Mr. SHORT. I will yield the floor, Mr. Chairman. Thank you.

The CHAIRMAN. We will first hear from Mr. Olson.

Mr. OLSON. I just want to say, Mr. Secretary, that I appreciate, and I know that this committee does very much, the excellent statement you have made on behalf of this Commission. I believe the questioning has brought out the questions that we have in our minds.

The amount of time we have spent in dealing with these subjects has been brought out. I believe this investigation will save us a lot of time in the future. As Mr. Poage stated, this committee has concerned itself in the vertical integration field, we have studied that in this committee and many other things, and in view of this I am quite convinced that it will save your Department and this committee's time and this Congress a lot of time to find out exactly, if we can, what is going on in this field. It has changed rapidly. We do need these questions answered for our own benefit to better represent family farmers.

The CHAIRMAN. Mr. Findley.

Mr. FINDLEY. Mr. Chairman and Mr. Secretary, House Joint Resolution 1009 that I introduced is a similar bill to this and I agree with the objectives. There are several differences in my resolution. And apropos of the remarks by Mr. Short, there is one item in my proposal which would establish as one of the duties of the Commission to study and make an appraisal of the effects of imports on U.S. producers.

Would you have any objections to having that as one of the stated objectives of the Commission?

Secretary FREEMAN. No.

Mr. FINDLEY. Another addition that I made to the list of duties was to study the effects of Government programs on the cost and quality of food to processors and consumers.

Do you see any objection to that?

Secretary FREEMAN. No.

Mr. FINDLEY. The reason is that we do have extensive programs.

You made reference to price-fixing charges against millers and we will all acknowledge that you, as Secretary, have extensive price-fixing authority yourself?

Secretary FREEMAN. Yes.

Mr. FINDLEY. It would be proper for the Commission to look into that situation while dealing with other facets of the industry.

Another change that I recommended was in line with the comments by Mr. Teague, in which he pointed up the advantages of having people knowledgeable in the food industry sit on the Commission.

We would have a good balance of objectivity and detachment among the congressional Members, and there would be merit to having people knowledgeable in the food industry filling the other five seats on the Commission.

With that in mind I have suggested that two of the non-Congress seats be filled by one member each from the two largest general farm organizations in the country, one member from the food processing industry, one member from the food retailing industry and one member from organized labor, seeking to achieve a balance of people who do have a self-interest but who, also, have the knowledge and expertise to lead this Commission forward without a lot of delays needed to get some understanding of the mechanics of the food industry.

What harm do you see in a balance like that?

Secretary FREEMAN. I have already stated my thought. Mr. Belcher stated it better than I did, that the main requisite here ought to be one of overall public and congressional competence. I do not suggest that we should not have people who would command the confidence of those who are actually involved, but I think the question of self-interest would be present with such a group as you suggest. I think that we would be better able to approach this on a completely factual basis by having people involved who did not have any direct self-interest in connection with it, and I feel confident that people of balanced judgment and knowledge and background can be had without having to take on people who could be considered a deterrent to the objectives.

Mr. FINDLEY. If you try to keep out people who do have a working knowledge or a personal interest in the food industry are you not apt to wind up with five members who are apt to represent the consumer viewpoint to the exclusion of the industry generally?

Secretary FREEMAN. I think not. I think that the caliber of the men and the nature of this study is such that it would be quite clear that you cannot separate basically the consumer interest, in the long run, and the public interest and the producer interest and the rest. What is good for the Nation is good for all of them. If what is good for any of them is at the expense of the rest of the Nation, it will not be good for any segment. And what we really want to have is a balanced approach and public confidence in terms of impartiality. This is really the prime requisite for an effective job.

Mr. FINDLEY. Another proposed change that I have in my resolution was to exclude the authority for making contracts with private individuals and concerns for the gathering of data.

The authority in my resolution would still permit the Commission to get the services of various State universities and all of the vast research facilities of the Federal, State, and local governments as well.

To me it seems that this field would be adequate without giving the Commission the authority to spend a lot of money to hire private organizations to dig into the research problem.

Secretary FREEMAN. I would feel, generally, that the Commission ought to have jurisdiction and to use its discretion in terms of how it will go about gathering this information. It might well be that there is some special research group that operates on a private basis that could do some particular part more effectively and more economically than could otherwise be done. It would be a matter of the Commis-

sion's judgment. I would hope that the Commission's hands would not be too severely tied in regard to how it would go about its business.

Mr. FINDLEY. Can you think, offhand, of any matter which a State university or USDA research staff could not take care of?

Secretary FREEMAN. Not offhand, but there are a number of private researchers, some of them nonprofit groups which are set up to move very quickly into certain specialized areas. And our Government has had occasion to use them.

A Kansas City group comes to my mind. And I think there is another group related to the University of California. There are a number of such groups that are quite efficient and effective. They may not fit into the pattern that the Commission determines should be followed, but, again, this might be the most efficient way to go about it.

I will just repeat that I think it ought to be left to the Commission's discretion.

Mr. FINDLEY. Your Department announced over the weekend, I believe, that the parity ratio on April 15 was 75 percent, which is the lowest April 15 parity ratio on record.

Secretary FREEMAN. I am very concerned with that. I only would respond that net farm income is about \$600 million a year higher than it was prior to 1961. I am happy to say that we have made that much progress. I would agree with you that we have got to do better.

Mr. FINDLEY. One curious thing is that in each of the years that you have been in office, the parity ratio has declined. The prices the farmer has to pay have gone up, while the prices the farmers receive have gone down each of the years that you have been in office. In those same years the cost of the farm programs have risen and so has the general price level.

Secretary FREEMAN. Happily, the net income of agriculture has increased over what it was before. And what you pay your bills with is not parity, but net income and net earnings.

Mr. FINDLEY. But what the farmer is concerned about is the relationship between what he gets and what he has to spend. And that has been worsening every year.

Secretary FREEMAN. Quite the contrary, as measured in terms of parity prices for incidental commodities, which is one of the indications of where the farmer's net income position ends up. What the farmer is interested in is not the parity ratio but the number of dollars that he has left at the end of the year after he has paid his bills.

Now the net dollar earnings of agriculture over the past 3 years have been averaging \$600 million greater than during the previous 3 years. And the net income per capita per farm averages out about \$500 greater than it was in the previous 3 years. It ought to be more. In the overall, it is still only 60 percent of the net income of the non-farm segment of our country, but happily, the significant part is that progress has been made. We have had quite a problem in disposing of and trying to work out programs with the heavy surpluses that were the heritage of the previous administration. We are making some progress on that. And as I said in this statement, I am encouraged with the progress but, certainly, not satisfied with it.

Mr. FINDLEY. Certainly, in the testimony of the farmer's prosperity, you are including Government payments. Is this true?

Secretary FREEMAN. This, sir, is true—that the net position that the farmer ends up with in terms of the number of dollars that he makes or loses is the primary goal and payments play a part in this.

Mr. FINDLEY. Do you consider the parity ratio no longer an accurate and important measurement?

Secretary FREEMAN. By no means. If it were not important we would not be reporting it. But I made the point and I would like to make it again, that it is one indication of the income picture and not the exclusive one.

Mr. FINDLEY. Has there not been a steady trend downward in the parity ratio in your administration?

Secretary FREEMAN. Of course, obviously, I prefer to see that trend moving in the other direction.

Mr. FINDLEY. Thank you.

Mr. CHAIRMAN. Mr. Jones.

Mr. JONES of Missouri. Mr. Secretary, in line with the discussion by Mr. Short about going to other countries—on page 4 it only authorizes the Commission to conduct hearings anywhere in the United States and I would think that would preclude them going into any other country. I am in agreement with that. I think we can all envision the ways in which we can help the farmer, but, primarily, as I view this resolution we are seeking to establish a Commission to study the food industry from the standpoint of the farmers and consumers and we have a very important problem there. If we start in on imports and all of these other things I think that we will spread ourselves too thin. If we would concentrate and try to solve this one problem here with this Commission and leave these other problems to the other bureaus, I think that we would be inclined to make more progress and keep our eye on the domestic problem that we have here at home. I think that is the important point.

And while you appeared to agree with Mr. Short that it might be well to have some of these studies in other countries, does the bill not preclude that?

Secretary FREEMAN. I had not contemplated this possibility and had not read the bill closely in connection with it. I think that my off-hand recollection was that this could be done by the Commission.

The CHAIRMAN. On page 4 it says:

The Commission or any member thereof as authorized by the Commission may conduct hearings anywhere in the United States.

I think that covers that and prevents it.

Secretary FREEMAN. You may very well be right.

Mr. JONES of Missouri. If you do not think that there is enough of a problem here trying to figure out what has been the cause of the farmers' portion of this income going down, I would be surprised, and if we can do something to try to solve that, we will have accomplished a rather important service to the country. And if we try to broaden this too much we might be defeating the purpose for which I understand the resolution was originally introduced.

Secretary FREEMAN. You are correct. The resolution was introduced, and the prime focus is the domestic farm to consumer machinery and what is taking place in our own domestic procedures.

The possibility that this trail might lead to some review of production in other parts of the world and of international trade I would

leave to the discretion of this Congress in its wisdom. I think the argument could be made that the Commission ought to have the discretion to follow such a trail. On the other hand, I think that there is a good deal of merit, Congressman Jones, in your point that there is a great deal that we do not know here and that we ought to zero in on the marketing phases of our domestic economy and make that the focal point of concentration.

Mr. JONES of Missouri. That is the only point that I wanted to make. I think that we have a serious problem and I feel that if we just focus and keep our eye on the target without trying to spread out too far that we would, probably, do a better job; in other words, without oversimplification, the thing that has always been of interest as has been brought out so many times, is the fact that while the cost of wheat has gone down the cost of bread has gone up and that is oversimplification, but it could be applied to many other commodities and I think that this study would afford an opportunity to get down to some of the basic reasons of why the farmer's position has deteriorated and other people are receiving so much more in proportion to their investment and the risk that they take as compared to the investment that the farmer makes and he risk that he takes in producing this crop. And I think that many times in our process of distribution and transportation, et cetera, that we can find people who have little investment have been the recipients of the greatest amount of profit in the handling of the food. That is the thing that I was hopeful we would be able to discover as this Commission would make this study of the food industry from the farm to the consumer.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. McIntire.

Mr. McINTIRE. I would like to ask, Mr. Secretary, about something that I have not been able to find in the bill, a reference made to the Commission, subsequent to the constitution of the Commission, as to how the Chairman is authorized. What is your thought as to how the Chairman would be designated?

Secretary FREEMAN. I think that the Chairman should be designated by the President.

Mr. McINTIRE. The purpose of the language is to apply there?

Secretary FREEMAN. Yes.

Mr. McINTIRE. The Chairman shall be designated by the President and chosen from among the Commission members by the Commission members, is that right?

Secretary FREEMAN. I think that the designation of the Chairman is not specifically provided for, but if you are asking for my judgment in connection with it, it would be that the Chairman would be appointed by the President and, probably, from the public members.

Mr. McINTIRE. I beg your pardon. What was the last?

Secretary FREEMAN. From among the public members.

Mr. McINTIRE. From among the public members.

Secretary FREEMAN. Yes.

Mr. McINTIRE. Why is that preferable to the Commission organizing and electing its own Chairman?

The CHAIRMAN. Why not select a Member of Congress?

Secretary FREEMAN. No. 1, because of the amount of pressure and time on the Members of Congress. Secondly, because I think that

the Commission's choice of the Chairman will be critical and that the President as the representative of all the people and so elected, and responsible in the overall for the net results, would be in the best position to make that important choice.

Mr. McINTIRE. Thank you.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. Mr. Secretary, did I understand that the Commission itself determines its jurisdiction? Is that the way you envision it?

Secretary FREEMAN. No. I think that they ought to have a fairly broad range of discretion. I would not say that the Congress ought not to establish it.

Mr. DOLE. Within the provisions of the resolution?

Secretary FREEMAN. Yes.

Mr. DOLE. In other words, the Commission is not really responsible to any committee or to you as Secretary—it is responsible only to the Congress, and the like?

Secretary FREEMAN. That is right.

Mr. DOLE. You are endorsing the general idea of the Commission as being good and necessary?

Secretary FREEMAN. That is correct. I appreciate your making that point. If I did not make it clear, I should have.

Mr. DOLE. A lot of people would like to say that "This is your Commission," or "It is the Congress Commission."

Secretary FREEMAN. If Congress creates it, it is the Congress Commission and the President's Commission.

Mr. DOLE. Also, I note that there will be 10 Members of the Congress, 8 makes a quorum, so I do not know really that we are getting away from a legislative committee or not. We have 15 subcommittees here, made up from the membership of this committee. Eight of those are commodity subcommittees, having to do with such subjects as wheat and feed grains, and about everything else, as you know, covered by them. And I wonder if we accomplish anything.

Do you think a commission of this kind, dominated by a vote of 10 to 5, regardless of who the chairman might be, would accomplish anything?

Secretary FREEMAN. If it got to be a question as to who is dominated and who is going to outvote whom, I am afraid that that would be prevailing. There have been expressions on both sides here as to the number of Members of Congress who ought to be on the Commission. I may be like the fellow who said, "Some of my friends are for it and some of my friends are against it, and I am for my friends." [Laughter.]

Mr. DOLE. Right. Is there not some authority in the 1962 Food and Agriculture Act whereby you could appoint an advisory commission that would get the same results—a nonpartisan type?

Secretary FREEMAN. Should I take that as a compliment? [Laughter.]

Mr. DOLE. You are sort of nonpartisan?

Secretary FREEMAN. I want to be. I think conceivably that could be done, but as I have tried to say, first, this kind of commission ought to be outside of any industry segment and it ought to be outside of any segment of government that is charged with regulatory responsibilities. Certainly, it would get into problems of appropria-

tions and such and I think that, as nonpartisan as you are and as nonpartisan as I am, it would be difficult to avoid partisanship nonetheless.

Mr. DOLE. I think we both ought to be on the committee. [Laughter.]

Getting back to the makeup of it, you said that bipartisan is the word used here and I assume that you have a bipartisan committee with 14 Democrats and 1 Republican. I assume that you mean that this is not your committee, but it would be your suggestion that it ought to be fairly even, maybe eight to seven, or seven to seven, and Cabot Lodge or somebody like that as chairman. [Laughter.]

Secretary FREEMAN. You are nonpartisan. It just sticks out all over you.

Well, I think that nonpartisan rather than bipartisan would have been a better word to use. I think that the Speaker of the House and the President of the Senate, guided by a clear statement by the President and by the Congress in terms of the makeup of a commission of this kind, would select the members without considerations of partisanship, I would hope so, because this ought to be absolutely nonpartisan.

Mr. DOLE. I think Mr. Belcher made that point.

Secretary FREEMAN. I would, sir, agree with that.

Mr. DOLE. We would recognize there are some party differences at times, but I think that this would be one of those areas in which there should not be. In concluding I thank you for your letter of April 9 with reference to the cotton-wheat bill.

Secretary FREEMAN. Thank you for your vote on the wheat bill. [Laughter.]

The CHAIRMAN. Mr. Beermann.

Mr. BEERMANN. Mr. Chairman and Mr. Secretary, in establishing this Commission you state on page 1:

Food prices today are the lowest, less than 19 percent of take-home pay, in relation to consumer income in history.

This is a very noble position for the U.S. farmer, processor, transportation people to put consumers in today. And one of the reasons this Commission would have, or subjects it would have to study, would be to point out why this is so.

For example, take the case of a steer on the hoof and meat on the counter, wherein a 1,000-pounder steer dresses out 60 percent. If the price of that steer on the hoof is 25 cents a pound and dressed it is 600 pounds of meat, I would be hopeful that this Commission would explore the possibility, to that we understand why the 25-cent-a-pound steer would graduate into 50 cents a pound, 75 cents a pound, or \$1 a pound or more for the available remaining amount of meat.

Secretary FREEMAN. I think that this kind of thing would become more broadly known, which it is not at the present time. It would be one of the real contributions of such a commission, to bring attention to bear and broaden the base of public understanding of the various factors that are involved.

Mr. BEERMANN. On page 7 you state:

There are signs of a lessening of competition, of an increasing fog descending between the public and the marketplace.

This is a fog—I do not know if that is the essence of your statement, but it could be one of the reasons——

Secretary FREEMAN. Yes.

Mr. BEERMANN. I wonder whether this amendment would be acceptable on page 2, in section 4, that the Commission shall also study and appraise the marketing structure of the food industry and present findings as to what effect Government intervention and domination in pricing has had on the producers' market and the consumer market.

Secretary FREEMAN. This point was already asked, I think by Mr. Dole or Mr. Findley, and I think that I, certainly, would have no objection. I think the language would include by its very nature the inquiry into all practices which would include the Government's participation in farm programs as well.

Mr. BEERMANN. There are a couple of other areas that I would like to refer to specifically. One is, in February 1961, I asked the Secretary before this committee about the rumor that the soybean loan rate might be raised from \$1.85 to \$2.30 per bushel. Following the establishment of the loan rate at \$2.30 by the Secretary, soybean prices in the following year did not go as high, not as high as their peak, or much higher than the price they were on the day we were discussing them. The price of soybean oil and soybean meal would be reflected proportionately by the difference of \$1.85 to the \$2.30 per bushel.

Secretary FREEMAN. But in the case that you mentioned the increase in income to the farmer as the result of increasing the price supports was about \$400 million over the year before when there was an extreme fluctuation of prices which benefited the speculator and the processor but did not benefit the farmer.

Mr. BEERMANN. But it also caused more money to be spent by the Federal Government and the taxpayers to pay for that.

Secretary FREEMAN. Quite the contrary, the amount of soybeans on hand, happily, has been very, very small. As a matter of fact, we ought to have more and I have been concerned. I was particularly concerned in October of 1962 that the reserve stocks of soybeans were considered strategically at too low a level.

Mr. BEERMANN. Then let me ask you this, you did answer Mr. Dole and Mr. Findley that this investigation would be quite acceptable?

Secretary FREEMAN. Pardon me—yes, sir, surely.

Mr. BEERMANN. My last point. On April 25, 1961, when the Secretary appeared before the committee I told him that the price of corn was lower by 12 to 15 cents a bushel in April than March and that the action of the Department had helped force prices down. The Secretary was kind enough to furnish the amount sold by the Commodity Credit Corporation for 1960 versus 1961 and there were four and one-half times more bushels sold these same 3 months in 1961 than in 1960.

At that time, I suggested to the Secretary and forecast that this action would cause problems in the livestock industry—hogs, calves, and the like, because of the dumping of grain—and of course it took a couple of years for that to take place; I think we understand perfectly well why it did—that there would be an increase in livestock numbers when the farmers could not get the price because dumping corn on the market kept the prices down.

Secretary FREEMAN. Mr. Beermann, you could not be more wrong if you tried to be. The truth of the matter is that the price of corn

since 1961 has increased by at least 10 cents over the average price it was before and one of the reasons why the cattle price break hopefully will not be as prolonged as such breaks have been in the past is because there has been a significant strengthening of feed grain prices. What you are saying is 100 percent absolutely and categorically in error. Prices have strengthened and increased under this administration, not decreased.

Mr. BEERMANN. Being a farmer who raises these crops and does not participate in the program, I would like to tell the Secretary that we have not participated in this prosperity in our operations and——

Secretary FREEMAN. You just look at the record.

The CHAIRMAN. Mr. Latta.

Mr. LATTA. I want to say that I concur with the statement that you feel that the representatives of these self-interest views should not be on the Commission. And I hope that when the appointments are made they will adhere to that premise. I do not think that we ought to have them investigate themselves. I think we ought to put the people on who are not interested. And I think, too, that we should appoint as one member the typical American housewife.

Secretary FREEMAN. The President will make the appointments and the President has had considerable concern that women should have full, complete, and free participation and appropriate recognition in positions of leadership as commanded by their merits and I think that the President would be quite receptive to such a suggestion.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 12:05 p.m., the committee adjourned to reconvene at 10 a.m., Wednesday, May 6, 1964.)

NATIONAL COMMISSION ON FOOD MARKETING

WEDNESDAY, MAY 6, 1964

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage presiding.

Present: Representatives Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Matthews, Purcell, Rosenthal, Olson, Matsunaga, Hoeven, Dague, Belcher, McIntire, Teague of California, Quie, Short, Latta, Harvey of Indiana, Findley, Dole, Beermann, and Hutchinson.

Also present: Martha Hannah, staff; Hyde H. Murray, assistant clerk; and Robert Bruce, assistant counsel.

Mr. POAGE. The committee will please come to order.

Our first witness today is Mr. Harry L. Graham, legislative assistant to the master of the National Grange.

We will be glad to hear from you now.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE ASSISTANT TO THE MASTER OF THE NATIONAL GRANGE

Mr. GRAHAM. Mr. Chairman and members of the committee, in the interest of brevity and in trying to be helpful to the committee and, also because of another commitment, I would like to file this statement with the committee and make some observations.

Mr. POAGE. Without objection, the statement will be made a part of the record at this point and we will be glad to hear anything else that you care to say.

(The prepared statement of Harry L. Graham follows:)

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE ASSISTANT TO THE MASTER OF THE NATIONAL GRANGE

My name is Harry L. Graham, legislative assistant to the master of the National Grange.

It was 90 years ago that the grange movement was born. Granges had been organized for 6 years previous but the dynamic and fantastic growth of the grange movement which makes it an unusual phenomena in American history did not get underway until the last part of 1873 and the early days of 1874. During the first 3 months of 1874, over 2,000 subordinate or local granges were formed per month across the Nation.

Why do I tell you this as we come to testify concerning the need for a bipartisan commission to investigate the purchasing and marketing practice of the food industry? It is simply because some of the factors appear to us to be involved in the present situation which were so much the root cause of the grange movement. The unrest in the Midwest at that time was directed against the railroads and the "middlemen."

One farmer, quoting from the speech of Tiberius Gracchus in the first century, expressed a sentiment not unlike that which we have been hearing from cattlemen all across the Nation during the last few months when he said:

"Like rabbits, we are the prey of hawks by day, and owls and foxes by night. Is there no remedy for this? Is there anything in the occupation of agriculture that makes man a legitimate prey for all the human vampires that infest the earth? * * * The railroad companies fix the price at which they will carry the grain to Chicago; elevators fix the price for handling it; the buyers finally agree how much they will give for it; and each one of these middlemen takes such a slice as he pleases, and the farmer timidly submits."

W. G. Summer writing in the April 10, 1873, issue of *The Nation*, commented upon the Princeton, Ill., convention by saying the delegates to the convention—"constitute, in fact, an earnest, though almost inarticulate, protest against the whole present organization of the railroad system of the country—a protest the more dangerous because both unintelligent and angry."

"But it still brings forward into clear strong light what must inevitably prove one of the momentous questions of the future. In its essence, that which the farmers demand is just. They ask for an access to the market that shall combine the three elements of certainty, economy, and impartiality. All of these are reasonable demands, yet they are just what the present system of transportation can never afford. It is not the fault of the railroad corporation. It is nothing less than a breakdown of competition as applied to our railroad system."

Two answers were proposed to the problem at that time and they were as widely divergent as the political and economic spectrum can permit. The railroads insisted that any interference with their operations would cause a dry-ink up of the capital needed for the expansion of the railroads. The opponents of the extreme type of laissez faire capitalism which was being demonstrated in America at that time countered with the philosophy of the Socialists, who were called Communists at that time, and suggested that if the contention of the railroads be true that it was the duty of the Government of the United States to build a double track railroad from Omaha to New York City along the water level route and that this railroad should be operated at a very modest profit for the benefit of the consumers and the producers at the same time.

The grange movement was engulfed in this brawl and indeed the Iowa State Grange presented a resolution at the 1874 convention in St. Louis asking for such a nationalized railroad. It was during that 1874 convention that the National Grange passed a document which has been called the magna carta of agriculture and which we call the declaration of purpose of the National Grange. After a stormy session that lasted many days, the convention quieted down and among its statements are these to which I want to call your attention, because, although they are 90 years old, they still contain the outline which the Grange has consistently followed now for almost a century.

"Business relations: For our business interests, we desire to bring producers and consumers, farmers and manufacturers, into the most direct and friendly relations possible. Hence, we must dispense with a surplus of middlemen, not that we are unfriendly to them, but we do not need them. Their surplus and their exactions diminish our profits.

"We wage no aggressive warfare against any other interests whatever. On the contrary, all our acts and all our efforts, so far as business is concerned, are not only for the benefit of the producer and consumer, but also for all other interests that tend to bring these two parties into speedy and economical contact. Hence, we hold that transportation companies of every kind are necessary to our success, that their interests are intimately connected with our interests, and harmonious action is mutually advantageous, keeping in view the first sentence in our declaration of principles of action, that 'individual happiness depends upon general prosperity.'

"We shall, therefore, advocate for every State the increase in every practicable way of all facilities for transporting cheaply to the seaboard, or between home producers and consumers, all the productions of our country. We adopt it as our fixed purpose to 'open out the channels in nature's great arteries, that the lifeblood of commerce may flow freely.'

"We are not enemies of railroads, navigable and irrigating canals, nor of any corporation that will advance our industrial interests, nor of any laboring classes.

"In our noble order there is no communism, no agrarianism. We are opposed to such spirit and management of any corporation or enterprise as tends to oppress the people and rob them of their just profits. We are not enemies to

capital, but we oppose the tyranny of monopolies. We long to see the antagonism between capital and labor removed by common consent, and by an enlightened statesmanship worthy of the 19th century. We are opposed to excessive salaries, high rates of interest, and exorbitant profits in trade. They greatly increase our burdens, and do not bear a proper proportion to the profits of producers. We desire only self-protection, and the protection of every true interest of our land, by legitimate transactions, legitimate trade, and legitimate profits.

"We desire a proper equality, equity, and fairness; protection for the weak; restraint upon the strong; in short, justly distributed burdens and justly distributed power. These are American ideas, the very essence of American independence, and to advocate the contrary is unworthy of the sons and daughters of an American Republic."

It was precisely this attitude which prevailed in the latter part of the 19th century when, for the first time since capitalism began to really develop, the political machinery of the Nation, through control and regulation, brought capitalism into its proper relationship with the people of the Nation.

In the more famous of the Grange laws, the Interstate Commerce Commission law, and the Sherman antitrust law the American people began the process of modifying the laissez faire type of capitalism to make it a servant instead of a master of the people and thereby chartering a new direction for a capitalistic nation. The modified capitalism which resulted is the true capitalistic system of America. It was and is a demonstration of the ability of capitalism to modify itself to put service to people ahead of their exploitation which Marx thought impossible. Our forefathers correctly saw that although socialism was one answer, a far better answer was to control the excesses of the capitalistic system. They gave us the machinery to use at the present time, if necessary to alleviate one of the situations which is causing vast distress to American farmers. We testified before the Senate Finance Committee concerning beef imports and opposed, at this time, the imposition of such import quotas; not because we think they are unimportant or not needed; but because we believe that until we get all the information that is necessary concerning this problem any piecemeal attack on it might leave us in a considerably more difficult situation than a more deliberate and intelligent total attack would do.

We recommended that such Commission be established as is called for; and would like to expand our recommendations and record the reasons for them before this committee.

Contrary to the allegations of those whose recommendations are based on superficial knowledge, the kind of regulations which the Grange has supported in the past has not limited competition; but has on the contrary enhanced it. Competition can be removed from the market in two ways: first by the Government becoming the market, as in socialism, and secondly by monopolistic practices on the part of those who are in a position to control the market. We demonstrated long ago that neither position is acceptable to the Grange; nor should it be to the American people. We have also proven that government regulation can be used to increase competition; which is precisely what happens when monopolies are curtailed or properly "regulated in the public interest."

We can understand what is beginning to happen in the beef industry at the present time by looking at what has already happened in the broiler industry. During the past few years over 90 percent of the individual broiler producers in the Nation have disappeared. Through vertical integration, not only have the factors of production fallen into the hands of giant feed combines, but the factors controlling the market have likewise fallen into the hands of those who are able to manipulate the market; to deprive the producer of a just return and to withhold from the consumer the products which might influence the market downward to the consumer if these factors were allowed to become more responsive to normal competitive influences.

We have had steady complaints from poultrymen, especially broiler producers, that some of the larger chains shop around until they can find a producer who is in a distress position and then they beat down the price to this one producer to then contend that this established a "market" from which basis to go out and in turn drive down the prices to all producers. In order to make this cycle complete, they use poultry products as loss leaders with a spectacular sale for one weekend. Because there is a time limit as to how long a producer can hold his products, when these products are poultry or beef, potatoes or onions, it is possible to so organize the purchasing program for these commodities that the market can be stored at the present time under modern refrigeration; so that

a distress condition can again be created among the producers enabling the cycle to start all over again. In the meantime, after a weekend sale of poultry products or especially broilers at 25 or 27 cents per pound, the price goes back up to 39 to 45 cents per pound and holds steady until the next major sale comes along as a part of the cycle which we have described.

Poultry producers and poultry councils have asked the National Grange and the National Council of Cooperatives to try to correct this situation. We have informed them that we would be glad to do what we can to help them, but that this is a problem which requires resources which are not available to us; and authority which we do not have. We do not make these allegations for the Grange. Our suspicions that they are true arise from some facts and from reports which we believe are well founded. It is, however, in our judgment that to determine the truth of these allegations the creation of a bipartisan commission with adequate subpoena powers and adequate staff is proper. The allegations concerning the cattle processing and marketing industry are basically the same as those which we have mentioned for chickens.

One difference is that it is charged that the major distribution agencies for beef products employ another technique of doing their own feeding and also holding from their processing cattle which have already been fed out and which they have purchased. This would enable them to meet their own needs at any special time when the price might be justifiably increased to the producer. This kind of manipulation of the products going onto the market by those who are to distribute them very easily then could have a disastrous effect upon the income of those who are producing the raw product for the market.

This question, in our opinion, should not be confused with the profit level of the chainstores or processors except in an incidental way. The National Grange has never opposed any pricing system which will return legitimate profit to the producer of the commodity that is needed by the American people. We have noticed that there has been an increase in profits across the board. We are not opposed to this; except when those profits are acquired by the manipulation of the market in such a way that the producers of our agricultural products do not, in turn receive their fair share of the market returns, and an income adequate enough to allow them to meet the costs of production and show a slight profit. We are also concerned when the efficiencies of our distribution system and its ability to earn a profit for its stockholders, are not used to enable the American consumer to have a regular supply of food products at a reasonable and fairly steady price.

The National Grange therefore recommends the creation of this Commission with adequate powers and resources to determine if there has been a concentration of economic power in few enough hands that they can unilaterally or in collusion significantly influence the market prices of agricultural products. If it is found that this is true, then it is hoped that existing legislation provides sufficient basis and authority to allow the proper governmental agencies to correct a condition which unwisely restricts effective but reasonable competition and is therefore detrimental to the general welfare.

If there is not sufficient legislation to enable this to be done, then we suggest that this Commission should consider very seriously whether or not we need additional legislation to control these monopolistic manipulations of the market. We would suggest that the Commission take a long hard look at the problem of vertical integration and its longtime ramifications in relationship to the general welfare of American producers and American consumers. We may need additional legislation to enable producers and consumers alike to protect themselves from the injurious practices of those who would manipulate the market for their own excessive exploitation of both consumers and producers.

We should express, also, our concern about the composition of this Commission. Obviously, it should have both producers and consumers on it. Industry should be represented on the Commission; not in sufficient numbers to make it meaningless; but with knowledge that can help to direct the investigation so that it arrives at the maximum truth. No one's judgment is better than his facts.

We would, therefore, like to see all the facts relating to this problem brought out and then we can make whatever decisions are necessary. We do believe that the farmers are the ones who are the most adversely affected by the situations which we have described and that this Commission should be strongly representative of the interests of American agricultural producers. The minority position which is occupied by American farmers at the present time leads us to believe that this is one of the instances where we are not able to adequately protect ourselves; and that we must ask for an intelligently conceived and de-

signed effort of the Government to determine and correct any monopolistic abuses of the legitimate competitive right of and benefits to the agricultural producers; for their own present welfare, and for the longrun general welfare of American people.

We do not believe that socialism is a big threat to our American free enterprise system nor it is likely to be unless we allow our system to deteriorate into becoming the kind of a capitalistic system which Marx described in "Das Kapital." The bountiful results of the modified American capitalistic system which retains a maximum of individual enterprise within carefully but adequately defined legal restraints, which have been enacted to protect the general welfare, has made us the economic envy of all the world.

What we are suggesting at this time, is not an attack upon the free enterprise system; but that an attempt should be made to protect it from its own excesses—from the undisciplined exploitation of the "weak" by the "strong."

This has been the position and program of the Grange for almost a full century. The wisdom of our position which resulted in the passage of the original Grange legislation is justified in the America which we see all about us.

I should like to close this testimony with a quote from the Honorable George Aiken, senior Senator of Vermont, from a speech which he made on the Senate floor on January 22 of this year.

"Our farmers deserve an income and standard of living fully comparable to that enjoyed by people in other lines of business. While they are still at the mercy of the weather, there is no reason why they should be at the mercy of price manipulators—national or international. Free enterprise should not be construed as licensing the few to exploit the many."

Mr. GRAHAM. I should tell you, Mr. Chairman, that the master of the National Grange is unable to be here because of his responsibilities as chairman of the joint North American-European meeting of the International Federation of Agricultural Producers.

May I just briefly state to the committee that the National Grange was born in a situation in which there was a problem of dislocation of the ordinary trade and commerce of the Nation, basically because of a breakdown in some of the competitive marketing systems at that time, and, also, in the transportation problem.

Some of our approach to this problem is based on 90 years of historical relationship to the development of an agricultural economy and, also, the national economy and, also, I should tell you that the Grange, and I do not think I need to tell you, but to remind you, that the Grange had a great deal to do with the modification of our economic system into the present type of American capitalism.

I would want to say, also, that our primary interest in this proposed legislation is not in simply investigating profits—we think that the whole commission concept is hazardous so far as agriculture is concerned if it only gets into a profit investigation-type proceeding, as the newspapers to some extent and some of our contemporaries have implied that it might be.

The National Grange has never taken a stand that could be interpreted as limiting profits nor are we about to do so now; that is, the basic limitation which we think should be in the field of competition, but we are concerned that there might be a manipulation of the market in which the competitive forces of the market are not functioning as they should, either to limit profit or to return a fair share of consumer purchasing power to the agricultural producer, and so we would caution the committee to make sure that this Commission, once it is established—and we are thoroughly in agreement with the necessity of it—but, nevertheless, we would be hopeful that the Commission would not become a witch-hunting scheme in which the profits of the chain-stores are attacked alone, because the hazard of this, in our judgment,

Mr. Chairman, is that we might drive prices down to the point that there is no room for the improvement of agricultural income.

This is one of the hazards of the Commission as we see it. And this is why we are so urgent in cautioning that this Commission not go in that direction alone. It is a real danger if it follows.

We also would say to you that we have some real concerns about the composition of the Commission. We have heard various suggestions that the Commission should be imposed entirely of disinterested people. This appears to us to be unrealistic because if anybody can be disinterested in the price of food I should like to know who that is, because that is impossible. We cannot quite figure who would be these disinterested people.

The suggestion has been that it might be some college professors by a process of elimination. I have nothing against college professors, but we would prefer that the Commission have some representation of the people who are vitally interested in it, and it is our belief that there be those people, both in the food handling and processing industry, representatives of the consumers and representatives of agriculture that are objective enough that they can direct the deliberations of the Commission and, especially, the investigation toward which the Commission is directed in such a way that we will come up with the maximum answers, the maximum amount of truth.

Therefore, we testified before the Senate and we are, also, doing the same here with the suggestion that both in the House section of the Commission as it is envisaged at the present time and in the Members that are appointed by the Senate that careful consideration be given to placing people who have some definite agricultural interests on this Commission.

I would further state in this regard that we are particularly concerned about this because at present agriculture is the party that is most aggrieved and I recognize that to make a jury out of the aggrieved party is difficult. I also recognize that getting a proper investigation might not be possible if there was not some real hard direction on the part of some of this 15-member Commission as to the direction it should go.

So we are not afraid of having members of the food processing industry or somebody representative of them on this Commission. I believe there are many fine people there that could be objective.

We are also convinced that the same is true of agriculture and the same is true of the others. We rather think the interests of the public could be better served by a representation of interested parties than by a rather hazy idea that it is going to be possible to get disinterested people in a subject that is so vital to every person, because all of us consume food; some of us too much, obviously.

With this general hedging on the Commission and the direction that its functions should take, then what we are saying is that we are entirely behind the concept of the Commission and the purposes of the Commission as they are stated in the resolution, and with that short, general explanatory statement I am prepared to let the rest of the statement which I have filed with the committee speak for itself.

Mr. McINTIRE (presiding). Thank you very kindly, Mr. Graham. Mr. Findley.

Mr. FINDLEY. I appreciate your comments, especially the comments made about the selection of the noncongressional members of the proposed Commission.

I do not know whether you are familiar with the resolution that I introduced, House Joint Resolution 1009.

Mr. GRAHAM. I am sorry ; I am not.

Mr. FINDLEY. In that resolution, which is very similar to the Cooley proposal, I specified that the Commission be composed of one member from each of the two largest general farm organizations, one member from the food processing industry, one member from the food retailing industry and one member from organized labor. That would provide a balance of the interested parties from the consumer and the producer. You were seeking to avoid having it stacked with college professors, so to speak, or with one category. Like you, I recognize that it is difficult if not unrealistic to hope to get anyone on the Commission who is completely detached and completely without some degree of self-interest in the food industry.

Do you feel that the suggestions, as I have quoted them to you have merit?

Mr. GRAHAM. I think it has enough merit that I would hope that the committee would consider it. I do not know that agriculture has the right to ask for two of the five people. This might be a bit presumptuous on our part and we do not want to be presumptuous. I am not sure that labor alone is properly representative of the consumer interest, but that would be one question that I would raise.

Mr. FINDLEY. Do you have a better suggestion?

Mr. GRAHAM. I would not exclude labor—that is why I said labor alone. There are some fairly large consumer groups, perhaps, in terms of women's organizations or something of that kind, that might possibly be included.

Mr. FINDLEY. Do you think that it would be wise to earmark, at least, one position for the consumers, and one each for distribution, processing, and production?

Mr. GRAHAM. Again, I do not know that I would want to confine it to one. My point is in approving the general concept of what you are doing it is to say that we believe that there are objective people in these groups and what we would prefer is not to try to find disinterested people, which we think is impossible, but objective people.

Mr. FINDLEY. I agree.

Mr. GRAHAM. And we would, also, say that in my comment concerning college professors that in the staffing of the Commission after it has been appointed, there is, obviously, going to be a need for some very competent research people, and this, in our concept, is where the college research specialists should come into this picture, instead of in the directing of the work of the Commission.

We do not agree with some suggestions I have heard that the congressional representation, from either the House or the Senate, should be reduced. We think this Commission should be directing itself toward the possible need of remedial legislation, or pointing out where the existing legislation is not properly being applied. This is a legislative function that, in our judgment, needs legislative participation and we would not approve of that, either, somewhere trying to find a balance of interest, and, perhaps, we can find some of that in the congressional representation, too, because I think it is no state secret that there are some Congressmen who are particularly interested in agriculture and there are others particularly interested in labor, and we can face this, I think, honestly, and come up with some good honest answers if we face it.

Mr. FINDLEY. Would you agree that the duties of the Commission should very properly include a study and an appraisal of the effect of Government programs on the cost and quality of food to processors and consumers?

I asked this question of Secretary Freeman and he said that he would have no objection to that being added to the list of duties of the Commission.

Do you see any objection to adding that to the list?

Mr. GRAHAM. I do not see any objection to adding anything that will bring some light and understanding on this project, and if this will do it, then we would have no objection.

Mr. FINDLEY. Would you object to adding the effect of imported foods on U.S. producers, processors, and consumers?

Mr. GRAHAM. I would not object to it, except I am to testify before the Tariff Commission this afternoon, which is doing precisely this job. I would think that you would want to correlate your findings with the findings of the Tariff Commission, but I am not sure that it would be necessary to duplicate these two investigations.

Mr. FINDLEY. Do you believe that it would be necessary to have the per diem pay for the noncongressional members of the Commission at \$100 a day in order to get the people that we have been talking about?

My resolution has it at \$50 per diem. What do you think about this?

Mr. GRAHAM. I have some doubts; \$50 would be adequate for me, but I am not sure that it would be for some of the people that we would really want. This is the point. We want the highest quality people we can get. If this would become a limiting factor to getting the people that we want, then I do not think that we would approve that. The main thing that we want is good people. And this is a matter of \$100, the difference between \$100 and \$50 a day when we are talking about the food industry that runs into multibillions of dollars, then this could, conceivably, be cutting it pretty fine.

Mr. FINDLEY. Thank you.

That is all, Mr. Chairman.

Mr. POAGE (presiding). Mr. Dole.

Mr. DOLE. Mr. Chairman, thank you.

You mentioned this legislative function and therefore did not feel we should reduce the congressional representation of the Commission which would be 10 out of the 15, or two-thirds of the membership.

It costs around \$75,000 a year to operate this Agriculture Committee, consisting of 35 Members of the Congress. I am wondering if \$2,500,000 is authorized how many employees would be needed for this Commission.

Mr. GRAHAM. I do not know, Congressman Dole. We have given some thought to it, but this thing is so nebulous at this point that I think it is a bit difficult to know how to answer that question. You gentlemen who are more familiar with the conducting of investigations and this kind of thing know about what the budget runs. I am only saying that I think this would be a very substantial investigation and that it should not be cut short by a lack of adequate funds and by the same token we are not anxious to see funds unnecessarily spent.

Mr. DOLE. We have about 15 subcommittees of this committee. Of course, an increased staff would be necessary for this work but we now have the right to subpoena people. I do not know whether we would accomplish more by creating another Commission, giving this Commission all of these powers, when they are now vested in this committee. It seems to me, from the standpoint of economy, that our committee might accomplish just as much, because we are always seeking remedial legislation.

As I understand it, members of the various subcommittees, are in on nearly every problem that we now face. Livestock, feed grains, poultry, domestic marketing—nearly every phase is covered by subcommittees of this committee. I know Members of Congress, particularly those in leadership positions, have more responsibilities now than they can probably handle, but if our staffing was increased and additional experts employed, this committee might be able to perform the same service at much less cost.

Mr. GRAHAM. This is my reaction. Maybe not and maybe yes.

Mr. DOLE. That might also be true of the proposed Commission?

Mr. GRAHAM. I do not know, frankly, the answer to that, except that I think that this should be said that, perhaps, the time has come not only for the correlation in an investigation as a matter of economy of the work of both the House and the Senate, but, also, a correlation of the public interests for one main reason, and, that is, we are hopeful that there will be some light shed on this in terms of the practice of the various media where we can get some light as well as heat, and with that in mind I think that we would go to the Commission idea as it is set up. I do not know that they would come up with any more information than we have. We might be able to use it more effectively once we have it by following that method.

Mr. DOLE. Thank you.

Mr. POAGE. Are there any further questions of Mr. Graham?

If not, we are very much obliged to you, Mr. Graham. I understand that you have another appointment.

Mr. GRAHAM. I am sorry, the Tariff Commission appointment is not bothering me so much as the fact that in the negotiations concerning—

Mr. POAGE. If you want to leave, we will be glad to have you leave, but if you keep talking we will promote more questions and you will be here the next 3 hours. [Laughter.]

Mr. GRAHAM. Thank you. I think, perhaps, that I should leave, because I do not want to be here 3 hours.

Mr. POAGE. The Chair recognizes that we will have to have some different rules or we are not going to get through today or tomorrow or next week or the following week if we take each witness and go over the same questions with each witness. We have about 15 or 20 witnesses here and there is no possible way of completing these hearings if we do it that way. So the Chair is going to suggest that we will hear these witnesses, and we will ask all the witnesses to stay with us and if we have any time left when we get through hearing the witnesses, then the members will question them en bloc.

Mr. FINDLEY. Will there be some restriction on the time that each witness will take for his presentation?

Mr. POAGE. Yes; I think that we will have to impose a time limit of 5 minutes on the witness. I do not see how we can get through without doing so.

The next witness is Mr. Reuben Johnson of the National Farmers Union and with him is Mr. Angus McDonald, Mr. Lail Schmidt, Mr. Glenn A. Long, Mr. Jay Naman, Mr. Ed Smith, Mr. George Stone. We will start with Mr. Johnson.

**STATEMENT OF REUBEN JOHNSON, LEGISLATIVE DIRECTOR,
NATIONAL FARMERS UNION**

Mr. JOHNSON. Mr. Chairman and members of the committee, I am going to ask that the witnesses come to the table here.

Mr. POAGE. That will be good.

Mr. JOHNSON. Those who have statements will be heard. We have several coming up to participate in the discussion.

We will ask them to remain in the front row until that is finished.

Mr. POAGE. That will be fine. We will be glad to hear from them.

Mr. JOHNSON. First is Mr. Schmidt.

**STATEMENT OF LAIL SCHMIDT, PRESIDENT, ROCKY MOUNTAIN
FARMERS UNION**

Mr. SCHMIDT. Mr. Chairman and members of the committee, I am Lail Schmidt, president of the Rocky Mountain Farmers Union, composed of members in Colorado, Wyoming, and New Mexico. I have a prepared statement that I would like to present to the committee for the record and then I would like to summarize the statement.

Mr. POAGE. You may do so. It will be made a part of the record at this point.

(The prepared statement of Lail Schmidt follows:)

**STATEMENT OF ROCKY MOUNTAIN FARMERS UNION PRESENTED BY LAIL SCHMIDT,
PRESIDENT**

Mr. Chairman and members of this committee, I appreciate deeply the opportunity to appear here to testify on legislation so important to farm producers as this problem of concentration of economic power in the food industry.

Our organization, representing 18,500 farm and ranch families in Colorado, Wyoming, and New Mexico, wholeheartedly supports this legislation proposed by Congress, for we are gravely concerned with vertical integration by food chains. This integration is concentrating farm markets in fewer and fewer powerful corporate hands.

I believe there is no greater evidence in support of this legislation than that prepared by this committee and released in March 1964 on food costs—farm prices, which reveals that:

"Retail food prices have increased 29 percent in the past 16 years. Prices received by farmers have declined 12 percent."

Your figures also reveal that:

"Last year the cost to consumers of farm-produced food totaled \$67 billion—up \$26.2 billion, or 64 percent, from the 1947–49 average of \$40.8 billion; and that, of this \$26.2 billion increase in the cost of farm-produced foods, \$23.2 billion, or 88.5 percent, was absorbed by marketing agencies and processors—the middlemen. Only \$3 billion, or 11.5 percent, trickled back to the farmers."

Competitive farm markets are being lost or becoming dominated by only a few buyers on a mass procurement basis for hundreds, and in some cases thousands, of retail outlets, the competitive pricing structure of livestock, produce, and other farm markets is being destroyed. When these competitive pricing mechanisms are destroyed, then true competition itself is destroyed, and the function of supply and demand is replaced with a pattern of administered or set prices. These administered prices are low to producers who have lost the bargaining power of competitive markets and comparably high to consumers.

Our research division estimates that livestock producers have lost in excess of \$2,250 million during the past 18 months, which is a disaster of major proportions.

PACKER'S CONSENT DECREE

Department of Justice action in 1929, reaffirmed by the U.S. Supreme Court just recently, forced the four major meatpacking firms charged with monopoly control to divest themselves of ownership of stockyards properties and to refrain from the retail merchandising of meat and groceries.

This consent decree still stands, yet we have allowed a new and different generation of giants—the food chainstores—to engage in the same practices we found to be monopolistic on the part of the large packers in the twenties.

Not only do we permit chainstores to engage in the meat packing and processing, we go a step further than the packers ever went and permit these giants to engage in cattle feeding and the ownership of ranches if they so choose.

We feel that the same provisions of the consent decree should be equally applied to the food chains today, forcing complete divestiture of their feedlots, ranches, and food processing and farming activities which now give them monopolistic power over once competitive markets in many phases of the food industry.

Studies made by the Rocky Mountain Farmers Union reveal that in the Denver market area large food chains and large feeding corporations, some integrated through contract with chainstores, now control approximately 50 percent of all fat cattle slaughtered in the area.

Those chains that own or are integrated through contract with large foodlots are able, through use of their foodlots, to buy on the market substantially when prices are low, or stay out of the market when competitive prices are firm. They are thereby able to enjoy all the advantage and all of the protection the competitive market provides every buyer and seller, yet use the power of their own feedlots outside the market to yield a market-depressing influence almost at will.

The pattern referred to above is revealed in the following chart which shows the activity of just one chainstore that buys cattle in the Denver terminal market that owns its own feedlot nearby.

This company, of course, made other purchases of cattle in the country during the same period, but such purchases outside the competitive terminal market can also be used to help lower prices paid on the market which is simply because market prices are prices established by fewer competitive bidders within the market, and the chain buyer in the country knows that their bids won't be recorded to help firm up market prices.

The chart merely shows the monopoly-type advantage that can destroy competitive price-determining markets entirely, and lower prices paid to producers.

GROWING PRICE SPREAD RESULTING

Average beef prices are hard to apply uniformly. We have kept a rather constant check in our own area, however, and choose in this testimony to use (average prices at retail) which are most conservative and below national averages estimated by BLS and some others.

Even with our own most conservative estimates of averages which appear on the following chart, "Increased price spread between producer and consumer as result of drop in fat cattle prices December 1962, to March 18, 1964," we find the growing gross spread at retail unjustifiable in face of the heavy losses sustained by producers in the last 16 months.

The increased gross spread at retail reveals clearly the power of chainstores to "administer" prices without any regard whatsoever to supply-and-demand factors.

The chart simply shows that livestock producers generally have sustained a value loss of \$60 to \$80 per head on Choice 1,000-pound steers since December 1962, while retail food chains have increased the gross spread on the 465 pounds of retail cuts from the same 1,000-pound Choice steer by more than \$102 per crier.

This estimated price spread is on just one grade (Choice) steers in just one market area. Greater spreads between producer and consumer exist on some lower grades and upon most of the processed meat products. These, of course, would increase average price spreads considerably.

This type of price administration cannot be acceptable in a competitive free enterprise economy, and certainly needs competent Government study to determine the degree of such price administration.

I have included in this statement a reprint from Safeway News commenting upon the fact that the Safeway Corp. was able to increase its net profit after taxes in 1963 by 14 percent.

This financial statement when contrasted to the heavy losses livestock producers are taking is indicative to us of the end result of administered pricing practices and the concentration of economic power in the food industry.

Also attached is a chart based upon net profit and growth statistics reported by the nine top-ranking food chains between 1960 and 1962 revealing that all of these leaders have increased their assets substantially during the period reported. These materials bear out the same contention that food chain retailers are profiteering excessively in the face of declining prices paid to livestock producers and farmers for their products.

May I also enclose a copy of a resolution passed unanimously at Cheyenne, Wyo., on March 3 by members of the Rocky Mountain Farmers Union, urging the President of the United States to utilize the "effective resources of the Federal Trade Commission and the Department of Justice to investigate the retail food chainstore buying practices, their degree of vertical integration into packing plants, feedlots, and ranches, their power to influence prices and markets."

We gladly accept the proposals by President Lyndon Johnson upon which this legislation is based, for we feel that this approach, if kept free from conflicts of interest will utilize the effective staffs of both the Federal Trade Commission and the Department of Justice which are equipped with the trained personnel necessary to ferret out abuses that do exist in food marketing, which are destroying family farm producers in America.

Gentlemen, we thank you very much for your concern with this important problem and your apparent desire to strengthen and preserve the competitive free-enterprise system so vital to the continued strength of our democratic way of life.

LIVESTOCK RESOLUTION

American livestock producers alone lost more than \$2 billion in 1963, and are continuing to sustain heavy losses. Although red meat imports have contributed to these losses they have been insignificant in comparison to the disastrously low prices forced upon producers by large food chains through their monopoly power to administer prices to both producers and consumers.

To break up this growing monopoly power in the livestock industry and still retain competitive markets for cattle and sheep, we call for a thorough investigation of retail food chainstore buying practices, their degree of vertical integration into packing plants, feedlots, and ranches, their power to influence, and subvert competitive free enterprise, and their power to increase the spread in prices between producers and consumers without regard to supply and demand.

We urgently petition the President to utilize the resources of the Federal Trade Commission and the Department of Justice to carry out such investigation, and should the findings reveal that the antimonopoly laws are being violated, we ask that court action be brought against those food chains found in violation of the law, requiring that they be forced to divest themselves of their vertically integrated ranching, feeding, and farming operations.

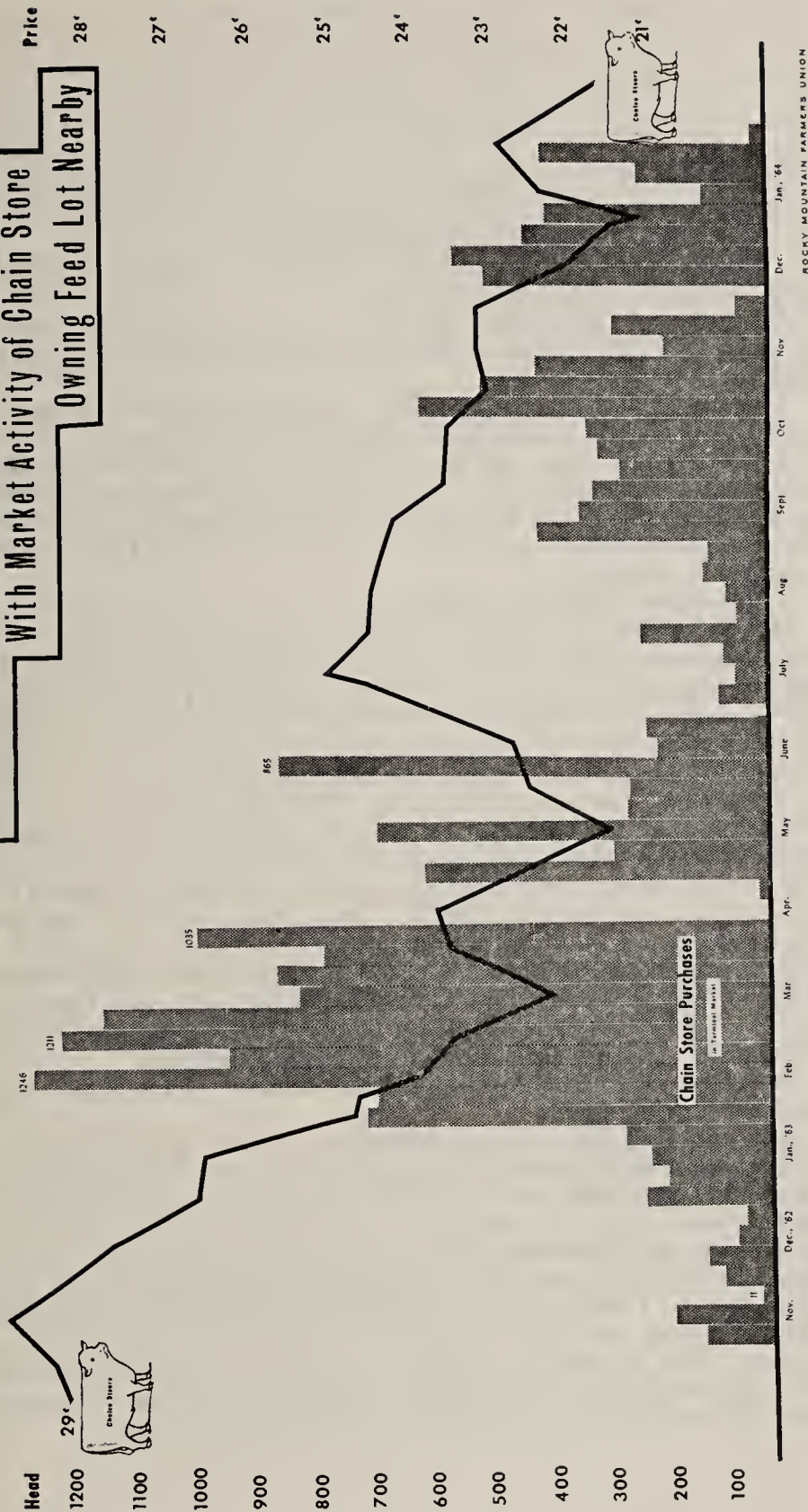
Mr. SCHMIDT. You and the committee will recall that in March a year ago I presented a brief statement to this committee, also, on the same subject, but at this time I would like to summarize it and bring it up to date more specifically than was done at that time.

I am, also, a producer, and I am, also, a feeder of livestock at the present time. I have had Choice fat cattle on the Denver market the past three Mondays and I would like to report a little bit on that. But to take off with, in trying to determine as a producer now what some of the effects of what is going on were, you all have this chart here, entitled "Choice Steer Prices, Denver, With Market Activity of Chain Store Owning Feed Lot Nearby," which is the purchases of the national chains on the Denver Union Stockyards and I would like to lead off with that, showing just a little bit of the pattern of the buying practices of this one particular organization. It is self-explanatory. You can see that I need not explain it, but it shows you the trend of live cattle in the Choice quality and then the purchases of this one chain.

(The chart follows:)

Choice Steer Prices Denver

With Market Activity of Chain Store
Owning Feed Lot Nearby



ROCKY MOUNTAIN FARMERS UNION

Mr. SCHMIDT. The next think I was interested in is in learning what was happening at the retail level when we knew what was happening to us at the live level. So then we have this chart here, prepared as to what our live animals were bringing on the Denver stockyards and then, also, at the bottom we have a chart telling what was happening at the retail level. This chart covers for the period from December 1962 to January 1964. That is, also, self-explanatory in that our cattle prices were continually on the decline but at the retail level there was no movement. That is, also, self-explanatory.

(The chart referred to, entitled "Beef Price Break Costs Producers \$2,000,000,000," appears on p. 53.)

Mr. SCHMIDT. Then the next thing we wanted to know as producers is where was this falling to, and if it was falling, just what was happening.

Here we have this chart based on a 1,000-pound Choice steer. I will have to say that it is out of date today and I will explain a little later but here are the facts and figures based on a 1,000-pound steer and what was happening to it. This is, also, self-explanatory. I need not go into that, but I will say here that this chart, based on the data that we have in this chart, is far from what the story is today, so that is where we are at today.

(The chart referred to appears on p. 54.)

Mr. SCHMIDT. What has happened in the past 3 weeks? This I would like to tell the members of this committee. As I stated, I have had Choice fat cattle on the Denver market the past three Mondays. For 2 weeks prior to this past Monday, I received \$19.25 for Choice fat cattle on the Denver Stockyards market. These are not excessive weights, 950 pounds, which is a handy weight, they say.

Now, what happened Monday? We have been thinking, "Well, \$19.25 is tough to take," because here I am taking a \$3 feed loss alone in these cattle. And that besides the other factors that enter into it. But now Monday I had these same cattle on the market again, Choice fat quality, 940 pounds, \$18.75. Just where is this thing going? How long can I stay in this business? This is the thing that I am here to present to this committee. What is going to be my status when I empty this process and go back for refinancing? Am I going to be in the shape of a lot of my neighbors out there who are folding up every day? This is the thing that we are talking about.

Let us go on a little bit further. On account of the time I want to get these few points in.

As you all know, we in the Denver area are quite intensively in this investigation picture because a lot of the data that has been going all over the country has been derived from our area. So then we come out and who is defending who and where is this picture actually at, and we get such stories as you see featured on this sheet which you, also, have in your possession, saying this and this and this and the other thing. I want to say right here that I would like to compliment this committee on this pamphlet that you have compiled here and issued. This is excellent material. It is the first time we in the country have been in the position to receive anything of this nature and you need to be complimented on this, Mr. Chairman.

BEEF PRICE BREAK COSTS PRODUCERS

\$2,000,000,000

A Livestock Price Disaster

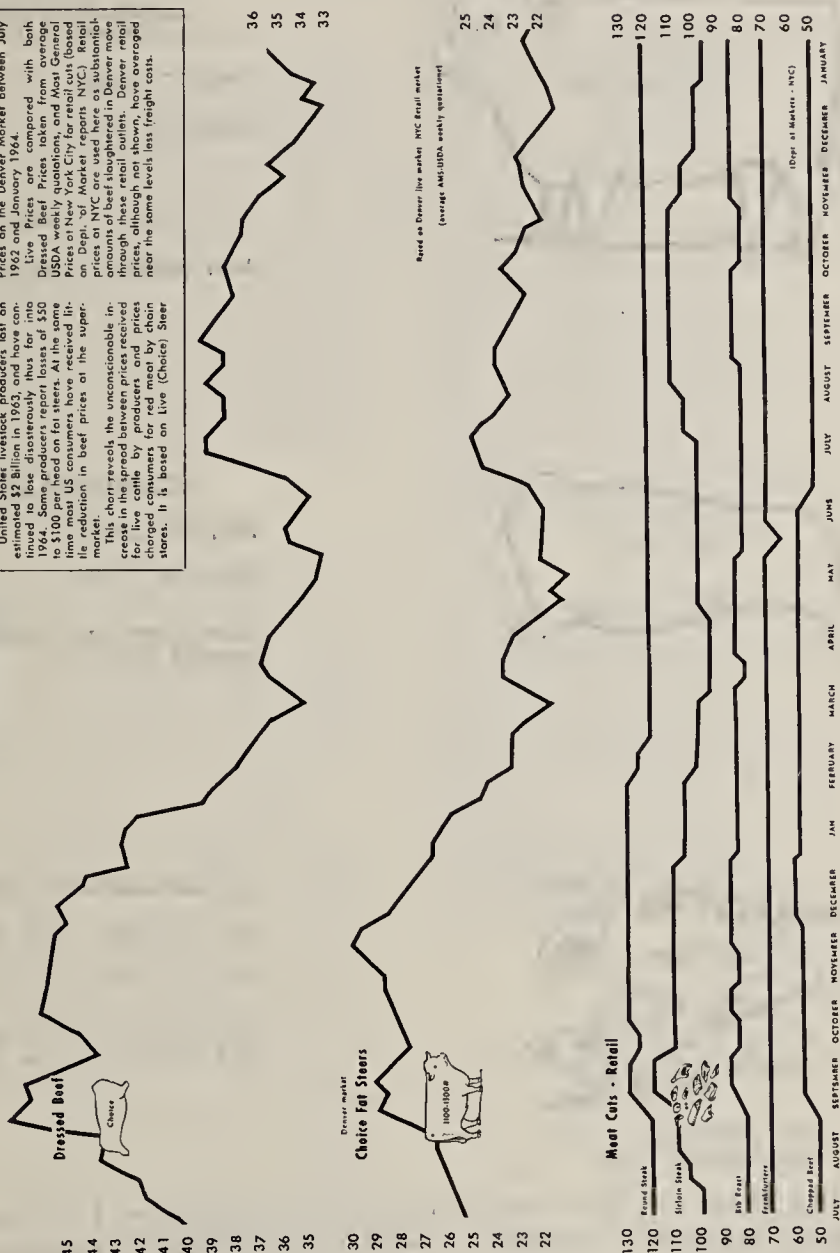
United States livestock producers lost an estimated \$2 billion in 1963, and have continued to lose disastrously thus far into 1964. Some producers report losses of \$50 to \$100 per head on fat steers. At the same time most US consumers have received little reduction in beef prices at the supermarket.

This chart reveals the unconscionable increase in the spread between prices received for live cattle by producers and prices charged consumers for red meat by chain stores. It is based on Live (Choice) Steer

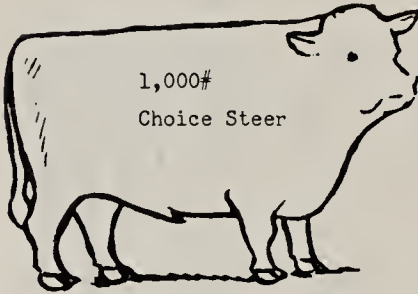
Prices on the Denver Market between July 1962 and January 1964.

Live Prices are compared with both Dressed Beef Prices taken from average USDA weekly quotations, and Most General Prices of New York City for retail cuts based on Dept. of Agriculture Market reports (NYC). Retail prices are based on NYC weekly quotations.

Amounts of beef slaughtered in Denver move through these retail outlets. Denver retail prices, although not shown, have averaged near the same levels last freight costs.



Increased Price Spread between producer and consumer as result
of drop in fat cattle prices Dec. 1962 to March 18, 1964
(Based on choice steer prices - Denver Terminal Market)

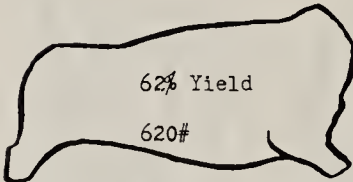


Prices Paid Producer
Denver, Colo.

Dec. 17, 1962	\$29.50
March 18, 1964	\$21.50

Value loss per head = \$80.00

Ave. producer loss \$20 - \$60.00



Prices Paid Packer

Dec. 17, 1962	\$45.50
March 18, 1964	\$34.50

Value loss per dressed
carcass 620# \$68.00



Ave. 26% trim shrink
465# Retail Cuts.

Prices Charged Consumers

Dec. 17, 1962 - 68¢ lb. (Ave.)

Feb. 17, 1964 - 68¢ lb. (Ave.)

Estimated Ave. gross spread on
465# of retail cuts \$102.20

Mr. SCHMIDT. Now we have another sheet here and we have had a lot of large ads in the press in our area by different chainstores saying that:

We are not the culprits—we are losing money. Our profits are down—we are losing money on every pound of beef we handle.

And all of this kind of thing. So we dug up this chart and this shows you just what the profits are of the nine largest chainstores in the United States, but do not let the end figure fool anybody—do not let that fool anybody—look over here and see the profits plowed into capital investment. You have to take both these figures into account to really come out with what the true story is here.

(The article entitled "Special Features" and the table entitled "Net Profit and Growth Statement" follow:)

SPECIAL FEATURES

Dividend Declared

A dividend of 45c per common share, payable March 30, 1964, was declared last month by the Board of Directors. Meeting at the Oakland Administrative Office, the Directors also called the annual meeting of Safeway's common stockholders for May 19, 1964.

At the same meeting, the Directors also declared dividends, both payable on April 1, of \$1 per share on Safeway's 4% preferred and \$1.075 per share on the 4.30% convertible preferred stock. All three dividends are payable to stockholders of record at the close of business on February 28.

Annual meeting of stockholders will be held at Baltimore, Maryland, on May 19.

025,000) deferred to offset the effect on taxes of reduced depreciation allowances. For the year 1962, the total investment credit was \$2,057,383, of which 48%, or \$987,544 (8c per share) was taken as reduction of Federal income tax expense for that year. Income taxes for the year 1962 were \$44,055,000.

Preferred stock dividends in 1963 amounted to \$837,940 leaving a net earnings available to common stockholders of \$43,977,965, or \$3.50 per common share based on an average of 12,556,569 shares outstanding during the year. Preferred stock dividends in 1962 totaled \$903,203. The average number of common shares outstanding during that year was 12,530,768.

During 1963 we opened 113 new stores and closed 123 old ones, leaving 2,059 in operation at year-end. (See next month's SAFEWAY NEWS for a complete picture of "How We Did in 1963.")

1963 Sales

Our 1963 sales totaled \$2,649,711,512 as against \$2,509,644,155 for 1962, an increase of 5.58%.

Our net income for the year ended December 28, 1963, increased 14% over the net for the previous year, to a new high of \$44,815,905 which, after preferred dividends, amounted to \$3.50 per common share on the basis of preliminary unaudited figures. For 1962, net income was \$39,271,284, the equivalent of \$3.06 per share.

Net income and earnings per common share for 1963 are after deducting a charge of \$650,000, equivalent to 5c per share, to provide for conversion to U.S. dollars of Canadian assets acquired during the year. A similar charge of \$1,500,000 (12c per share) made against 1962 income was larger because of the decline in value of the Canadian dollar which took place during 1962, whereas there was little change in value of the Canadian dollar during 1963.

Taxes Approximate \$50-million.

The taxes on our 1963 net income will be about \$49,930,000, according to the preliminary estimate, after giving effect to a reduction in tax expense of approximately \$947,000, equivalent to 7½c per common share, under the "investment credit" provisions of the Federal Revenue Act. We will have a total investment credit of about \$1,972,000 against our 1963 Federal income tax liability, of which 48% (\$947,000) will be taken as a reduction of Federal income tax expense for 1963 and the remaining 52% (\$1,-

JAN. SALES UP

Sales for the first four weeks this year were 5.5% ahead of the comparable beginning period of last year.

Our consolidated sales for the four weeks ended January 25 amounted to \$204,621,853 as compared to \$194,043,501 for the four weeks ended January 26, 1963.

So far this year (up to February 1), we have opened 11 new stores in the U.S. (including one acquired), closed 9; and opened two new stores in Canada and closed four.

(From: Safeway News Vol.19 No.3, March 64)

Net profit and growth statement, 9 leading food chains

[Dollar amounts in thousands]

Company	Year	Sales	Assets	Net profit	Invested capital	Net profit as percent of invested capital
Great Atlantic & Pacific Tea.....	1962	\$5,310,544	\$767,974	\$60,206	\$536,404	11.2
	1961	5,240,315	744,049	57,464	514,975	11.2
	1960	5,246,578	711,217	59,012	485,973	12.1
Safeway Stores.....	1962	2,509,644	473,359	39,271	291,736	13.5
	1961	2,538,032	454,279	36,602	275,128	13.3
	1960	2,468,973	442,255	34,818	258,886	13.4
Kroger.....	1962	1,947,571	401,128	20,424	194,304	10.5
	1961	1,842,343	379,705	16,953	188,885	9.0
	1960	1,870,290	355,074	23,478	185,077	12.7
American Stores (Acme Markets).....	1962	1,081,061	217,327	13,061	140,096	9.3
	1961	1,034,879	209,064	13,330	131,481	10.1
	1960	1,011,489	196,069	12,673	122,338	10.4
National Tea.....	1962	979,049	199,997	9,118	113,783	8.0
	1961	888,853	166,226	9,315	87,040	10.7
	1960	855,841	154,682	8,662	82,141	10.5
Food Fair Stores.....	1962	923,224	193,411	11,056	90,562	12.2
	1961	840,180	169,577	11,865	80,285	14.8
	1960	771,172	160,142	11,396	72,319	15.8
Winn-Dixie Stores.....	1962	772,248	127,686	17,483	82,866	21.1
	1961	767,035	123,902	17,051	78,566	21.7
	1960	721,532	115,064	15,800	68,724	23.0
Stop & Shop.....	1962	306,306	100,035	3,887	30,181	12.9
	1961	295,373	885,542	4,645	27,265	17.0
	1960	239,079	67,564	4,136	21,861	18.9
Red Owl Stores.....	1962	299,943	50,605	2,653	26,148	10.1
	1961	279,055	46,688	2,374	22,146	10.7
	1960	274,592	42,046	2,532	20,214	12.6

Source: Fortune magazine, "50 Largest Merchandising Firms," August 1961, 1962, 1963.

Mr. SCHMIDT. I could go on and on in this discussion, but the thing that I am wondering about is, where is this going? I had my assistants in Denver after my cattle sold Monday to go downtown in Denver to see what it cost to buy a pound of hamburger, and it cost the same as it had been costing all along, even though I was selling my cattle for \$18.75.

This is what we are confronted with.

How long is it going to take to get something corrected so that you can save the livestock industry of this Nation?

Thank you, Mr. Chairman and members of the committee. I will relinquish my time to some of my other colleagues.

Mr. POAGE. Thank you very much, Mr. Schmidt.

Mr. McDonald.

Mr. McDONALD. Mr. Chairman and members of the committee, I would like to reserve my testimony until the others from out of town get through.

Mr. POAGE. That is all right.

Mr. McDONALD. I would like for you to call on Mr. Glenn Long, manager of the Farmers Union Marketing Association of St. Paul.

Mr. POAGE. We will be glad to hear from Mr. Long.

STATEMENT OF GLENN LONG, MANAGER, FARMERS UNION
MARKETING ASSOCIATION, ST. PAUL, MINN.

Mr. LONG. Mr. Chairman and members of the committee, I have filed a statement for myself as manager of the Farmers Union Marketing Association and Mr. Edwin Christianson, president of the Minnesota Farmers Union that has been presented to you and I would like to have that filed for the record.

Mr. POAGE. Without objection the statements from all of the witnesses will be received in the record, without the necessity of further requesting it.

(The prepared statement of Glenn A. Long and Edwin Christianson follows:)

STATEMENT OF GLENN A. LONG, MANAGER, FARMERS UNION MARKETING ASSOCIATION, AND EDWIN CHRISTIANSON, PRESIDENT, MINNESOTA FARMERS UNION

We support the general purpose of the resolutions by Chairman Cooley and Representative Olson for a Federal commission to investigate food marketing practices, particularly to determine the extent that economic concentration and integration may widen the marketing spread both at the expense of farmers and consumers.

We concur in the Farmers Union statement of facts demonstrating the need for investigation of the impact on farmers and consumers of the operations of chainstores in procuring meat either from their own feedlots or on contract from commercial feedlots.

Our statement will address itself to another phase of livestock procurement which we believe has weakened the market position of farmers—the trend to direct buying through country buying stations and on-the-farm purchases. We believe this, too, needs close investigation.

There has been no comprehensive study of the direct buying of livestock since 1935 when the Bureau of Agricultural Economics made an investigation. Since that time, the problem of the effects of direct buying practices has been touched upon, incidentally, in the course of committee hearings on unfair meat trade practices, but not in sufficient depth to determine what the impact on competition or producer prices might be.

In recent years, the marketing pattern on livestock has continued to change, weakening the position of the terminal markets and the cooperatives on these markets and resulting in a worsening of the economic situation of the family-type livestock producer.

The extent of this shift to direct buying is well illustrated by the fact that in 1923, 90 percent of the total kill of cattle, 86 percent of the calves, 86 percent of the sheep and lambs, and 77 percent of the hogs were purchased at the terminal markets by slaughterers. By 1956, these percentages of livestock purchased through terminals had dropped to 70 percent of the cattle, 37 percent of the calves, 45 percent of the sheep and lambs, and 37 percent of the hogs.

In 1962, terminals handled only 42.6 percent of the cattle, 23.3 percent of the calves, 35 percent of the sheep and lambs, and 29 percent of the hogs.

In the accompanying table 1 attached, we show the comparison of direct procurement and salable receipts at the terminal market at South St. Paul, over the period of the last 8 years.

Terminal marketings on cattle dropped from 96.42 percent to 72.14 percent in the 8-year period, marketings of hogs dropped from 51.80 percent to 41.55 percent.

In table 2, we show the percent of total receipts obtained through direct procurement by firms operating on the South St. Paul market over a recent 8-week period on both hogs and cattle.

As can be seen from the percentage figures, the direct buying operations are erratic and unpredictable and often reach a volume which cannot help lessening demand for the salable receipts at the terminal.

Direct hog procurement during this 8-week period ranged from as low as 2 percent of the day's total receipts to 140 percent. Direct cattle procurement ranged from as low as 2 percent to as high as 26 percent of the day's total receipts. Of course, there is also extensive direct buying in the State for packers other than those located at South St. Paul.

The accelerated trend to direct marketing of slaughter livestock and the establishment of a whole series of livestock auction sales barns throughout the country has materially increased the cost of livestock marketing to the producer and the cost of livestock procurement to the processor.

All of the existing livestock marketing facilities and livestock procurement facilities are overhead costs borne by the entire livestock industry but they are paid ultimately by the livestock producer. It is our opinion that the livestock industry cannot afford the luxury of this wasteful duplicating and decentralized of marketing facilities.

The cost of these unneeded facilities is only part of the total financial burden upon producers. A much greater loss results from the loss of real competition and the loss of marketing power which takes a tremendous toll from the net returns of the producer.

Particularly the practice of skimming off choice livestock through direct buying is a harmful factor. It leaves the remaining livestock to be sent to the terminal where it establishes a lower market average which in turn sets the tone for price trends on all purchases including those through direct buying. Thus, the entire price level is weakened.

The terminal markets are still the pricemaking factors in the industry, but if they continue to decline in importance, producers are bound to be at a greater and greater disadvantage in obtaining a fair price for their animals.

We therefore suggest that the Food Marketing Commission should examine this problem and determine whether or not direct buying is being used for the purpose of price discrimination and weakening of competition. It is our view that this preliminary evidence warrants a thorough inquiry.

TABLE 1.—*Salable receipts as a percent of total receipts—Percent of total receipts represented by sales through terminal commission firms,¹ South St. Paul market, 1956-63*

	Cattle	Hogs		Cattle	Hogs
1956.....	96.42	51.80	1960.....	82.85	45.01
1957.....	89.13	48.59	1961.....	80.42	42.65
1958.....	83.41	45.23	1962.....	77.11	42.68
1959.....	84.98	46.24	1963.....	72.14	41.55

¹ Total receipts less salable receipts represents the proportion of livestock obtained through direct procurement.

TABLE 2

Date	Cattle			Hogs		
	Salable	Direct	Percent	Salable	Direct	Percent
Mar. 2, 1964	5,143	638	12	8,419	1,556	18
Mar. 3, 1964	3,488	454	13	10,037	3,674	37
Mar. 4, 1964	2,978	230	8	7,621	2,228	29
Mar. 5, 1964	4,248	354	8	9,959	2,049	21
Mar. 6, 1964	1,557	245	16	6,278	2,517	40
Mar. 9, 1964	4,850	465	10	9,484	1,599	17
Mar. 10, 1964	4,182	336	8	11,723	4,010	34
Mar. 11, 1964	4,026	102	3	10,192	3,092	30
Mar. 12, 1964	3,600	134	4	10,063	1,835	18
Mar. 13, 1964	1,613	199	12	5,257	2,598	49
Mar. 16, 1964	5,731	769	13	9,115	159	2
Mar. 17, 1964	4,891	305	6	11,589	2,457	21
Mar. 18, 1964	4,381	149	3	8,034	1,252	16
Mar. 19, 1964	3,963	309	8	8,564	2,229	26
Mar. 20, 1964	1,581	149	9	4,945	1,390	48
Mar. 23, 1964	5,379	211	4	7,787	1,758	23
Mar. 24, 1964	5,273	112	2	10,054	5,022	50
Mar. 25, 1964	4,130	394	10	8,121	3,188	39
Mar. 26, 1964	3,549	463	13	6,908	1,596	23
Mar. 27, 1964	671	177	26	2,546	3,561	140
Mar. 30, 1964	5,193	520	10	9,188	1,873	20
Mar. 31, 1964	5,436	288	5	12,207	4,047	33
Apr. 1, 1964	4,366	134	3	7,557	2,008	27
Apr. 2, 1964	4,460	138	3	8,364	2,214	26
Apr. 3, 1964	1,667	101	6	5,118	1,549	30
Apr. 6, 1964	4,560	478	10	6,843	1,089	16
Apr. 7, 1964	4,287	185	4	8,302	2,587	31
Apr. 8, 1964	4,360	183	4	8,863	2,821	32
Apr. 9, 1964	4,495	207	5	8,707	4,592	53
Apr. 10, 1964	1,808	303	17	6,535	3,614	55
Apr. 13, 1964	5,927	429	7	9,250	1,200	13
Apr. 14, 1964	2,856	52	2	5,197	1,719	33
Apr. 15, 1964	5,809	384	7	10,308	4,601	45
Apr. 16, 1964	4,242	318	7	9,837	4,722	48
Apr. 17, 1964	2,265	425	19	7,557	2,075	27
Apr. 20, 1964	6,466	471	7	8,630	1,609	19
Apr. 21, 1964	5,592	345	6	11,543	3,210	28
Apr. 22, 1964	4,442	255	6	7,114	3,906	55
Apr. 23, 1964	4,816	99	2	9,570	3,338	35
Apr. 24, 1964	2,061	72	3	4,935	2,940	60

Mr. LONG. We support the general purposes of the resolution by Chairman Cooley and Representative Olson and we would like to address ourselves particularly to the problem of livestock procurement on the part of the processor and the chainstores and to suggest that this be included in the investigation relative to the meat and livestock industry, because we feel that the procurement practices as

they are being carried on—the direct procurement off of the farm or on the farm purchases and the whole string of buying stations and this sort of thing in the livestock procurement business has some tendency to eliminate competition and to have the possibility, at least, of price fixing.

We think this thing is serious enough that it should be thoroughly investigated and there is no record of any thorough investigation of marketing practices of livestock since about 1935.

Our statement presents some evidence of the fact that this is a major problem and we, therefore, suggest that the Food and Marketing Commission should examine this problem and determine whether or not direct buying is being used for the purpose of price discrimination and the weakening of competition. And it is our view that there is preliminary evidence to warrant this position that we are taking at this time.

This is all of the time that I would like to take relative to this problem and will yield the rest of our time to our colleagues here.

Mr. FINDLEY. A parliamentary inquiry. Was it your idea that the organization would be limited to 5 minutes or each person would be limited to 5 minutes?

Mr. POAGE. It was my idea that each individual witness would have 5 minutes. I do not want to apply any hard and fast rule here. All I want to do is to get through this morning. We are not going to get through otherwise.

Mr. FINDLEY. The reason that I make the inquiry is that permitting several from the same organization to speak, may, in effect, be taking 5 minutes away from the questioning by members of this committee.

Mr. POAGE. I do not want to sit here as a hard taskmaster. I try not to be that way. I think that you can understand my attitude. The way we started out with Mr. Graham it was obvious that we could not possibly complete this list of witnesses today the way we were going. I think that we have to speed the matter up.

We will be glad to hear from the next witness. Do you want to call the next witness, Mr. Johnson, or do you want me to call him?

Mr. REUBEN JOHNSON. I would like to ask that Mr. Jay Naman make a few remarks at this time.

Mr. POAGE. I will be especially happy to hear from Mr. Naman. He is a fine citizen of the State of Texas and is my neighbor and constituent. We will be delighted to hear you now, Mr. Naman.

STATEMENT OF JAY NAMAN, PRESIDENT, TEXAS FARMERS UNION

Mr. NAMAN. Mr. Chairman and members of the committee, I am from Waco, McLennan County of the 11th Congressional District. Our county and Falls County are the largest of the 11th Congressional District. Our county and Falls County are the two largest steer wintering counties in the United States. We have a special program there. We winter steers on small grain.

We produce every winter approximately 35,000 to 50,000 steers in these two counties. Those cattle are wintered and sold to the feed-lots. This is another step in the marketing chain.

The grazing operation precedes the feeding operation.

In 1948 I bought my first cattle for the winter grazing operation. At that time I do not know of any steer operators in the two counties who did not own their own cattle on their farms. Last year over 50 percent of the cattle wintered in these two counties were owned by chainstores, meatpackers, and speculators.

What concerns me is the fact that so much of the grazing of cattle has gone out of the hands of the independents, the individual operators, into the hands of the processors. The cattle are now put on the fields, on a contract basis at a price which is barely a break-even price. I envision that in the future these cattle may be put on the fields at so much per head and at that point the operator, the farmer, the rancher, becomes an employee of the processor. This concerns me very much.

I hope that the Commission that will study the food distribution problem will give some concern to how far down the marketing chain the effect of the concentration of the buying power has affected the livestock producer.

Thank you. I appreciate the opportunity to make this comment to the committee.

Mr. POAGE. Thank you very much, Mr. Naman.

Do you want to call Mr. Ed Smith or somebody else?

Mr. REUBEN JOHNSON. At the time, I have just asked Mr. Smith and Mr. Stone if they had any comment, and they said no. They will be around during the questioning session.

Mr. Angus McDonald will close our testimony.

Mr. POAGE. We will be glad to hear from Mr. McDonald now.

STATEMENT OF ANGUS McDONALD, ASSOCIATE DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. McDONALD. Mr. Chairman and members of the committee, I want first to call your attention to the statement of James C. Patton, which, I believe, has been distributed to you, and my remarks will constitute more or less a summary of Mr. Patton's statement.

In accordance with the previous statement, I will ask that it be made a part of the record at this point.

Mr. POAGE. Without objection, it will be made a part of the record. (The prepared statement of James G. Patton follows:)

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION

Mr. Chairman and members of the committee, we are appearing here in support of the bill introduced by the chairman and other members of this committee. We know that the members of this committee, more than any other group in and out of the Congress are aware of the necessity of the passage of this legislation. This committee has been the consistent champion of the family farmer over a long period of years. This committee has repeatedly brought to the American people a report on the farm and retail price situation.

We wish to commend the committee and especially the chairman for the recent report dated April 5, 1954, entitled "Farm Costs—Farm Prices." This is the most comprehensive and authentic study which has been made of the price spread and should go far toward alerting the Congress and the American people to the tragic situation which exists in the marketplace. Certain figures in this report especially attract our attention. I don't want to burden the record with a recitation of facts already known but I do not think this particular excerpt from the study can be quoted too often:

"Over the past 16 years, prices received by farmers for food delivered into the marketplaces have dropped by 12 percent, while the prices paid by consumers for farm-produced food have increased by 29 percent.

"Americans paid \$67 billion in 1963 for the farm-produced food they consumed—\$26.2 billion, or 64 percent, more than their average annual food bill in 1947-49. Of this \$26.2 billion increase in the retail store cost of food, \$23.2 billion, or 88.5 percent, went to processors and marketing agencies—the middlemen. Only \$3 billion trickled back to farmers although last year farmers delivered 40 percent more food into markets than they did annually in the 1947-49 period."

The widening price spread between farmer and consumer has been dramatically illustrated by the drastic price decline in the price of beef during the last 15 months. Our Rocky Mountain Farmers Union State president, one of the witnesses appearing at the hearing this morning, will tell the committee his experience as a cattle producer in the Denver, Colo., market. Prices in Denver have declined during the last year by about one-third. This simply means that cattle producers could have sold the same cattle a year ago at a price in excess of the price they are receiving today. Cattle producers have lost about \$2 billion or more it is estimated as a result of this drastic price decline.

One would expect that such a drastic decline in the price of beef would affect substantially consumer prices. Unfortunately this is not the case. Apparently the losses realized by cattlemen have been transferred to the pockets of the chainstores. Since consumers have benefited very little we are not surprised to find that profits in the food industry have reached an alltime high.

We have made a check of the net income of leading chainstores using as sources several authoritative financial publications. It is seen by the following table that chainstore profits before taxes amounted to as much as 41.1 percent for the year 1963 and that after taxes they amounted to as much as 20.9 percent. Profits of the Great Atlantic & Pacific Co., the largest chain, amounted to 23.5 percent before taxes and 11.2 percent after taxes. Safeway, the second largest, reported a before tax income of 29.4 percent and 13.9 percent after taxes.

Pretax income and net income as a percentage of net worth for the 10 largest grocery chains during 1963

Company	Pretax income net worth	Net income net worth	Company	Pretax income net worth	Net income net worth
1. A. & P.-----	23.5	11.2	6. Food Fair-----	21.6	11.3
2. Safeway-----	29.4	13.9	7. Winn-Dixie-----	42.1	20.9
3. Kroger-----	20.1	9.8	8. First National-----	15.4	8.3
4. Acme-----	19.3	9.3	9. Grand Union-----	13.0	6.5
5. National Tea-----	14.5	7.9	10. Jewel Tea-----	25.8	12.5

Sources: Moody's, Standard & Poor's, and company reports.

We further call the attention of the committee to two tables which are appended to this statement indicating that profits of the national chains have been increasing over a long period of years.

Table No. 1, which includes the operating profits of Great Atlantic & Pacific Co.; Safeway Stores, Inc.; National Tea Co.; National Dairy Products, and the Borden Co., have consistently increased since 1957. The increase year by year has been substantial and consistent. The second table which covers the period 1948-58 includes net profits of the leading chains during this period.

We call attention to the fact that profits after taxes during these years of the nine largest chainstores on the average amounted to 13.8 percent in 1958. More figures could be recited from reliable sources. The evidence indicates that the leading food chains of this country engaged in food retailing are enjoying unprecedented prosperity.

An analysis of the market structure of the retail business would, we believe, give us a clue as to why chainstore profits have been skyrocketing at the same time that farm prices have been declining. It is reported that in many markets the chainstore determines the price of the raw product and both wholesale and retail prices regardless of supply and demand. It seems logical to assume since retail prices show little relation to prices of beef and other food prices that the big buyers are able to manipulate the market to their own advantage.

Their position in many of the meat markets would lend credence to this idea. In 1958, in each of 14 metropolitan markets, leading corporate chain food retailers enjoyed from 60 to almost 90 percent of the total grocery store sales. In Little Rock, Ark., Kroger and Safeway enjoyed 75 percent of the total. In Wilmington, Del., American, Food Fair, and A. & P. enjoyed 74.1 percent of the total. In Raleigh, N.C., A. & P. enjoyed 68 percent of the total. In Denver, Colo., Safeway, National Tea, J. S. Dillon, and Red Owl enjoyed 86 percent of the total. An analysis of the distribution of grocery store sales in 133 cities in 1958, showed that the average for the 4 largest food retailers was 58.3 percent of the total market.

Despite these statistics the chainstores in recent testimony before the Senate Commerce Committee contend that their profits have been declining and that furthermore they have been actually losing money on meat. Clarence G. Adamy in testimony on April 30, 1964, said that a study of 46 chain supermarkets indicated a net operating loss to the typical retailer of slightly more than 1 cent per pound. Adamy also made a statement in regard to economic concentration contending that food retailing was one of the least concentrated of all American industries.

Another chainstore executive according to a news item in the Chicago Tribune of May 3, 1964, contended that all of the price decline had been passed on to consumers. He denied that chains had been manipulating prices and expressed concern regarding the plight of cattle producers. This executive was quoted as saying that the Jewel Tea Co., which he represents, had experienced cost prices averaging in 1963 one-tenth of a cent of a pound higher than in 1961 but its retailing prices had averaged 1 cent below 1961. He contended that the decline in meat prices had been fully matched by retailing prices. He went on to say "the spread between cost and retail prices has been approximately constant over the past several years, despite rising expenses."

We suggest that chainstore executives are attempting to mislead the Congress and the American people by making misstatements and carrying on so-called studies. We are referring to a recent study relied on by Adamy and the Jewel Tea Co. executive. This study appears to be an attempt to confuse and mislead. It disagrees with reliable statistics of the Department of Agriculture by contending that the average price of meat sold at the consumer cash register was only 54 cents a pound. According to the Department of Agriculture, figures sales in 1963 were from 78.73 cents to 84.04 cents. Further analysis of the McKinsey meat study indicates that the 1954 figure indicates an adjustment which took into account waste of beef carcass. Even accepting their adjusted figure which would mean that they actually realized considerably more at the cash register it is obvious that there is a wide discrepancy between their figures and Department of Agriculture figures.

The McKinsey study only included, according to its authors, 46 test stores. The location, size, and kind of market is unknown. It may well be that if these figures are accurate that certain inefficient stores in poor neighborhoods were selected. One finds it difficult to imagine a store which had their estimated meat sales unless nearly all the meat sold consisted of hamburgers and inferior cuts. However, the conclusion that most meat departments are losing money is apparently relied on by chainstore spokesmen.

Another contention of the chainstores seems to us fallacious. They attempt to explain their high consumer prices by attributing them to high labor costs. Recently a representative of the Amalgamated Meat Cutters & Butchers (AFL-CIO) appeared before the Senate Commerce Committee and demolished this allegation. Leon B. Schachter, vice president of this organization, pointed out that wages accounted for only 7.02 cents per consumer dollar in 1963. In 1958 the labor cost in food dollars amounted to 6.78 cents, an increase of only two-tenths of a cent for each dollar of food sold.

However, these figures do not take into account the fact that 70,000 independent grocers went out of business during the 1958-63 period. This means that their labor cost no longer should be added to the labor costs of the food industry. It would appear that labor costs per dollar of food have actually declined.

The packinghouse workers tell a somewhat similar story. In a release of April 3, 1964, the United Packing House Food & Allied Workers (AFL-CIO) stated that productivity has been increasing faster than wage increases. Wage increases according to this union have increased since 1963 by 3 percent while productivity has increased by 12 percent.

The National Farmers Union is not only interested in the approval of the President's recommended Food Commission but in its composition. We hope that the investigation will be completely impartial and objective and that none of the public members will have any connection whatsoever direct or indirect with the food industry.

We call the committee's attention to the following quotation from the Washington Farm Letter of April 24, 1964, in which it is stated that "A push is on to name Jesse Tapp, recently of Bank of America, and Bob Liebenow of Chicago Board of Trade, among others." We call the committee's attention to the fact that the Bank of America has a number of directors who are also directors of food companies. A list of the names of these directors and the companies they represent is attached to this statement.

We also call the committee's attention to an attached excerpt from the so-called conflict of interest law passed by the Congress in 1962. It would appear that those who have a financial interest direct or indirect in the food industry would, if the law is observed, be prevented from serving on the Commission. We know that the members of the committee will use their great prestige to see that not only the law but the spirit of this law be observed.

We further call the committee's attention to a bill, House Joint Resolution 1009, introduced by Representative Findley which is identical to the legislation recommended by the President and introduced by the chairman of this committee except that it provides for the members of the Commission to be representatives "of the two largest general farm organizations."

Finally we urge every member of this committee and the Congress to use their good offices to see that legislation is speedily approved that an impartial investigation is made and that competent members of the staff of the Commission be employed to carry out this work. We think it is extremely important that those who are or who have been associated with the food chains have no voice in hiring of the staff or in conducting economic studies.

During the last few weeks and months the members and officials of the National Farmers Union have been preoccupied with the problem which we have discussed here today. They feel that the trend of events in the marketplace determine not only their bread and butter but their economic existence. During the last few days the Executive Committee of the National Farmers Union after prolonged deliberation adopted unanimously the following resolution:

RESOLUTION IN SUPPORT OF SENATE JOINT RESOLUTION 71 AND HOUSE JOINT RESOLUTION 977—To ESTABLISH COMMISSION TO INVESTIGATE THE FOOD INDUSTRY

(Unanimously adopted by the Farmers Union executive committee, May 3, 1964)

The executive committee of the National Farmers Union, taking cognizance of the existing economic situation of those engaged in agricultural production, find

That excessive price spreads exist between the farmer and consumer, particularly in regard to the price of beef received by the producer resulting from the

drastic and catastrophic price decline during the period December 1962 to April 1964;

That tremendous losses to producers amounting to billions of dollars are not passed on to consumers in lower prices;

That retailers of meat and other food products have been enjoying excessive and exorbitant profits—the highest in history;

That the principal cause of the ruinous economic situation of cattle producers and others engaged in agriculture is price manipulation and the exertion of ruthless market power by 8 or 10 national food chains controlling many thousands of retail outlets, packing, processing, manufacturing, and feedlot facilities;

That certain groups and individuals both in and out of Government, are seeking to mislead the Congress and the American people in regard to the manipulation and control of food prices, chainstore profits, and particularly profits of the chains relating to the sale of meat and meat products, and any economic development of market practices concerned with the merchandising involved in the purchase and sale of livestock products by contending that such practices resulting in the disadvantaging of farmers are the result of technological efficiency and inexorable economic law;

We, therefore, do hereby resolve, That the Congress and the Chief Executive of the United States utilize every effort to rectify the tragic, ruinous economic situation by the immediate passage of Senate Joint Resolution 71 and House Joint Resolution 977, and similar bills introduced in the House of Representatives, which would result in an unbiased and impartial investigation of the food industry from the point of production to the point of consumption;

And further resolve to urge the President and the Congress of the United States to insure the appointment of members of the Commission and the staff of the Commission people who have no peculiar vested interest, direct or indirect, in the production, processing, and sale of food commodities, to work with the Federal Trade Commission, Department of Justice, and other agencies.

TABLE 1.—*Operating profits of selected national food chains and dairies*

	1962	1961	1960	1959	1958
Great Atlantic & Pacific Co., year ends Feb. 23.....	¹ \$125,489,022	\$118,656,805	\$121,418,991	\$117,903,942	\$109,299,205
Safeway Stores, Inc., year ends Dec. 29.....	² 85,689,817	81,089,068	76,891,461	79,100,665	72,704,303
National Tea Co., year ends Dec. 29.....	³ 20,299,138	21,445,101	19,905,758	19,830,611	19,642,015
National Dairy Products Corp.....	⁴ 106,741,194	102,469,887	104,175,425	99,689,271	87,644,213
The Borden Co.....	⁵ 56,609,133	53,499,335	47,486,953	45,628,119	44,225,275

¹ Operating profits: sales less cost of merchandise sold plus store operation, advertising, and administrative expenses.

² Operating profit: sales less cost of sales plus selling general and administrative expenses and provision for doubtful accounts.

³ Operating profit: sales less costs, expenses, general taxes, plus rentals paid on leased properties plus depreciation and amortization.

⁴ Operating profit: net sales less cost of goods sold plus delivery expense plus selling expense, plus administrative and general expense plus provision for doubtful accounts.

⁵ Operating profit: net sales less cost of goods sold selling, general administrative and other expenses plus provision for doubtful accounts.

TABLE 2.—ECONOMIC INQUIRY INTO FOOD MARKETING SALES AND PROFITS OF 33 LARGE FOOD CHAINS

Ratio of net profit before and after income taxes to stockholders' investment for leading food chains: 1948-58

[Data for fiscal years ending on or before June 30 are applicable to the prior year. Ratios in percentages]

Company and 1958 sales size	Before income taxes										After income taxes											
	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Group 1: \$500,000,000 and over:																						
A. & P.	27.6	23.2	22.9	22.0	23.3	23.1	21.8	22.9	24.9	28.8	28.3	16.4	13.6	12.5	9.9	10.2	10.1	10.1	10.5	11.6	13.2	12.8
Safeway	20.1	25.5	24.0	11.3	12.3	20.5	16.6	15.2	27.3	30.3	30.6	12.0	15.0	12.6	6.5	5.3	10.1	8.1	7.6	13.0	14.4	14.6
Kroger	26.4	27.9	27.9	23.1	28.2	28.0	24.3	23.3	26.5	28.9	28.9	15.8	13.6	14.8	8.8	8.4	11.4	10.0	11.0	11.3	11.3	13.6
American Stores	22.1	21.7	26.1	17.4	17.4	22.8	20.3	23.0	23.5	23.5	23.9	13.3	13.4	13.2	8.8	8.8	11.1	13.4	13.5	12.5	13.0	12.3
National Tea	31.0	29.0	31.8	17.6	19.9	22.8	26.1	28.5	26.5	27.1	25.8	19.4	17.8	17.0	8.8	8.8	11.1	13.4	13.5	12.5	13.0	12.3
Food Fair	32.1	36.9	36.8	30.6	32.8	37.7	38.0	37.5	35.5	34.0	36.7	20.1	22.7	13.7	13.7	14.8	17.1	18.9	19.0	17.2	17.2	18.4
Winn-Dixie	38.5	41.4	41.0	47.4	49.0	45.8	46.5	45.6	48.9	47.7	47.5	23.8	25.9	18.6	19.4	20.4	20.5	22.9	24.0	23.6	23.2	23.2
First National	27.9	27.5	24.6	28.2	30.0	31.0	31.3	29.3	24.7	25.7	24.8	14.4	13.5	12.7	12.0	13.9	13.2	14.3	13.5	11.8	12.1	12.3
Grand Union	26.5	29.1	30.1	19.2	18.1	23.5	26.7	25.5	28.2	27.4	23.1	15.7	13.6	14.9	11.2	10.2	12.4	13.6	12.5	14.2	13.7	11.4
Weighted average	26.2	25.5	25.8	20.9	22.5	25.0	23.4	23.9	27.2	29.5	29.1	15.5	15.1	13.4	10.2	9.9	11.3	11.4	11.5	13.0	14.0	13.3
Group 2: \$110,000,000 to \$500,000,000:																						
Jewel Tea	29.3	27.7	30.8	25.6	21.6	19.8	22.5	25.9	28.0	29.2	29.7	18.0	17.2	16.3	13.0	11.1	9.9	11.5	12.6	13.9	14.2	14.4
Colonial Stores	30.3	29.8	31.8	29.6	31.8	36.2	36.4	34.3	31.1	32.6	24.2	17.3	17.7	17.2	14.5	13.1	14.2	16.6	16.9	15.9	16.0	11.9
ACF-Wrigley Stores	36.1	38.6	41.3	33.1	38.4	38.3	36.6	36.9	33.4	33.4	27.7	22.3	23.7	20.9	14.0	14.4	15.3	17.7	17.8	17.0	17.0	14.1
Loblaws	20.3	26.6	29.6	22.8	20.3	17.8	19.0	22.7	30.9	31.3	29.1	12.5	15.8	14.3	9.7	9.5	8.5	9.0	10.8	14.2	14.5	13.4
Red Owl Stores	20.8	21.0	21.8	18.7	18.1	16.5	17.8	25.1	26.4	28.4	31.5	12.4	12.9	10.7	9.5	9.8	9.0	10.5	13.0	14.8	17.2	17.8
Stop & Shop	22.9	27.5	23.9	23.1	30.7	36.0	23.6	20.2	24.3	20.0	22.7	14.4	13.3	15.0	13.6	14.6	16.1	10.4	9.9	11.5	9.8	10.8
Thriftmart	22.9	27.5	23.9	23.1	30.7	36.0	23.6	20.2	24.3	20.0	22.7	14.4	13.3	15.0	13.6	14.6	16.1	10.4	9.9	11.5	9.8	10.8
Penn Fruit	40.3	37.2	28.6	24.5	21.9	22.0	28.7	21.3	20.6	21.9	21.9	24.0	22.2	16.5	12.0	9.5	9.4	12.6	9.7	10.4	10.3	10.3
Bolaek (H. O.)	10.7	14.8	21.3	15.5	21.0	23.7	21.4	23.4	20.1	14.9	13.9	6.7	9.2	11.8	8.2	9.9	10.1	11.0	13.3	10.9	8.4	7.6
Lucky Stores	14.4	28.0	26.5	16.1	26.3	27.8	26.6	29.2	31.0	34.2	34.4	8.9	10.0	14.0	9.0	12.0	11.8	12.8	14.0	15.0	16.3	15.9
Weingarten (J.)	20.3	14.7	24.1	17.8	20.4	22.6	25.5	21.2	19.1	26.7	20.4	13.6	8.6	10.2	9.3	9.5	10.3	11.9	11.0	10.5	12.9	10.4
Mayfair Markets	(2)	(2)	9.0	11.2	7.1	10.4	16.4	16.0	15.2	16.2	14.1	(2)	2.1	5.8	5.6	3.8	5.2	8.1	8.4	8.7	8.1	7.2
Giant Food	(2)	47.6	52.5	33.6	28.9	33.6	41.4	36.9	37.7	32.4	29.1	(2)	25.1	25.8	15.5	12.6	16.2	20.4	18.4	18.3	15.4	13.8
Weighted average	24.9	26.3	28.5	23.4	23.9	24.8	26.2	26.7	28.3	28.2	25.0	15.1	15.6	14.9	11.5	10.9	11.0	12.7	13.1	14.1	14.1	12.3
Group 3: \$50,000,000 to \$110,000,000:																						
Thornbore Markets	39.9	35.1	41.5	37.1	22.8	36.4	40.7	55.6	52.4	49.5	39.5	23.9	21.1	21.5	14.8	11.7	13.4	18.9	25.7	23.9	23.1	18.1
Fisher Brothers	34.5	29.5	30.7	26.7	22.0	26.2	20.5	18.7	21.7	23.0	17.8	21.6	18.6	17.7	13.3	10.8	12.6	9.4	9.0	10.5	12.1	8.7
Purity Stores	(2)	(2)	(2)	(2)	(2)	(2)	(2)	24.5	22.5	14.3	7.2	(2)	(2)	(2)	(2)	(2)	(2)	(2)	11.2	10.9	8.7	4.7
Von's Grocery	(2)	34.7	39.1	32.9	39.0	43.6	40.7	44.4	37.6	37.6	33.8	(2)	21.6	20.9	14.0	13.3	13.6	19.8	21.6	18.2	18.2	16.6
Market Basket	24.6	27.0	29.1	26.8	37.8	42.3	38.7	35.9	32.8	32.4	38.5	15.4	16.8	16.5	11.6	15.3	1.41	18.3	17.0	15.4	15.5	17.9
Shopping Bag	23.5	43.6	28.3	39.6	29.5	41.9	44.5	29.6	30.2	32.0	19.1	14.6	27.1	16.5	16.0	12.7	14.7	14.7	14.8	15.0	16.5	9.4

Big Bear Stores-----	44.9	46.5	(2)	(2)	(2)	49.7	53.0	45.1	39.5	41.1	40.9	41.9	27.7	28.8	(2)	(2)	17.7	18.7	21.8	19.2	20.1	19.7	20.1
Daitch Crystal Dairies-----	(2)	(2)	(2)	(2)	(2)	10.4	15.3	22.3	29.8	18.4	27.9	28.6	(2)	(2)	(2)	(2)	6.1	8.7	12.1	16.4	10.4	14.8	15.1
Alpha Beta Food Markets---	15.9	18.8	19.0	16.6	10.8	13.6	34.7	36.8	36.8	25.3	25.5	19.4	9.8	11.4	11.7	8.7	5.2	6.5	16.1	17.7	12.2	11.9	9.5
Marsh Foodliners-----	(2)	(2)	(2)	25.7	23.5	24.3	22.6	26.8	23.5	24.3	24.3	25.0	(2)	(2)	(2)	11.8	11.5	3.3	12.7	14.3	12.4	13.0	13.0
Food Mart-----	(2)	(2)	(2)	(2)	(2)	(2)	33.0	33.3	33.3	22.3	30.2	29.1	(2)	(2)	(2)	(2)	(2)	(2)	16.4	30.1	10.9	14.8	14.5
Weighted average-----	31.3	31.6	31.4	29.0	27.3	33.2	33.9	32.7	29.2	29.8	26.2	26.2	19.4	19.6	17.6	13.0	11.7	12.9	16.3	16.4	14.2	14.9	12.9
Total, weighted average----	26.1	25.8	26.3	21.5	22.8	25.3	24.2	24.8	27.5	29.2	28.1	28.1	15.5	15.3	13.8	10.4	10.1	11.3	11.8	12.1	13.3	14.1	12.5

Source: Company annual reports, Moody's Industrial Manual, and other published sources.

1 Entered chainstore business in 1956.

2 Not available.

BANK OF AMERICA, 1962

DIRECTORS

Robert Di Giorgio: Di Giorgio Fruit Corp., president and director; New York Fruit Auction Corp., director; Philadelphia Terminals Auction Co., director; Tree Sweet Products Co., vice president and director; S & W Fine Foods, Inc., president and director.

Fred A. Ferroggiaro: Lucky Stores, Inc., director.

Prentis Cobb Hale: Pacific Vegetable Oil, director; Di Giorgio Fruit Corp., director.

Eric A. Johnston: McCormick & Co., director (tea, spices, etc.).

Louis A. Petri: Wine Institute, director; Allied Grape Growers, director; United Vintners, Inc., president and director; doing business as Italian Swiss Colony, director; Margo Wine Co., director; Petri Wine Co., director.

Grover D. Turnbow: Foremost Dairies, Inc., chairman, executive committee, and director; International Dairy Engr. Co., chairman; International Dairy Supply Co., chairman.

Roland Tognazzini: Union Sugar Division (Consolidated Foods Corp.), president and director; Union Sugar Co., president and director; Consolidated Foods Corp., vice president and director.

OFFICERS

There is a Robert L. Gibson, vice president, Bank of America.

In biography of Poor's there is a Robert L. Gibson, Jr., who is president and director of Libby, McNeill & Libby; trustee of Nutrition Foundation, Inc.; and member administrative council, National Canners Association.

There is a C. E. McCarthy, vice president, Bank of America.

In biography of Poor's there is a Charles E. McCarthy, vice chairman and director, Allied Stores Corp.

Source: 1963 Poor's Directory of Executives and Directors.

Public Law 87-849

87th Congress, H.R. 8140

October 23, 1962

"§ 207. Disqualification of former officers and employees in matters connected with former duties or official responsibilities; disqualification of partners

"(a) Whoever, having been an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, including a special Government employee, after his employment has ceased, knowingly acts as agent or attorney for anyone other than the United States in connection with any judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter involving a specific party or parties in which the United States is a party or has a direct and substantial interest and in which he participated personally and substantially as an officer or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, while so employed, or

"(b) Whoever, having been so employed, within one year after his employment has ceased, appears personally before any court or department or agency of the Government as agent, or attorney for, anyone other than the United States in connection with any proceeding application, request for a ruling or other determination, contract, claim controversy, charge, accusation, arrest, or other particular matter involving a specific party or parties in which the United States is a party or directly and substantially interested, and which was under his official responsibility as an officer or employee of the Government at any time within a period of one year prior to the termination of such responsibility—

"Shall be fined not more than \$10,000 or imprisoned for not more than two years, or both: *Provided*, That nothing in subsection (a) or (b) prevents a

former officer or employee, including a former special Government employee, with outstanding scientific or technological qualifications from acting as attorney or agent or appearing personally in connection with a particular matter in a scientific or technological field if the head of the department or agency concerned with the matter shall make a certification in writing, published in the Federal Register, that the national interest would be served by such action or appearance by the former officer or employee.

"(c) Whoever, being a partner of an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, including a special Government employee, acts as agent or attorney for anyone other than the United States, in connection with any judicial or other proceeding, application, request for a ruling, or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter in which the United States is a party or has a direct and substantial interest and in which such officer or employee of the Government or special Government employee participates or has participated personally and substantially as a Government employee through decision, approval, disapproval, recommendation, the rendering of advice, investigation or otherwise, or which is the subject of his official responsibility—

"Shall be fined not more than \$5,000, or imprisoned not more than one year, or both * * *

"§ 208. Acts affecting a personal financial interest

"(a) Except as permitted by subsection (b) hereof, whoever, being an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, including a special Government employee, participates personally and substantially as a Government officer or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in a judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization in which he is serving as officer, director, trustee, partner or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest—

"Shall be fined not more than \$10,000 or imprisoned not more than two years, or both.

"(b) Subsection (a) hereof shall not apply (1) if the officer or employee first advises the Government official responsible for appointment to his position of the nature and circumstances of the judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by such official that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect from such officer or employee, or (2) if, by general rule or regulation published in the Federal Register, the financial interest has been exempted from the requirements of the clause (1) hereof as being too remote, or too inconsequential to affect the integrity of Government officers' or employees' services.

"§ 209. Salary of Government officials and employees payable only by United States

"(a) Whoever receives any salary, or any contribution to or supplementation of salary, as compensation for his services as an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, from any source other than the Government of the United States, except as may be contributed out of the treasury of any State, county, or municipality; or

"Whoever, whether an individual, partnership, association, corporation, or other organization pays, or makes any contribution to, or in any way supplements the salary of, any such officer or employee under circumstances which would make its receipt a violation of this subsection—

"Shall be fined not more than \$5,000 or imprisoned not more than one year, or both * * *

Mr. McDONALD. You will notice on the first page that Mr. Patton, also, as Mr. Schmidt, compliments the committee highly for the recent pamphlet entitled "Farm Costs—Farm Prices," which you have published and remarks that this committee has done more in regard to the price spread situation than any other group in or out of the Congress. And all of us on the staff recognize that and appreciate the study that this committee has made of this situation very much.

During the last few days, Mr. Chairman—and I may be getting ahead procedurally, a little bit, but during the last few days the chainstore people, in testimony before the Senate Commerce Committee and in the publication of a so-called food study, the McKinsey study, have undertaken, in our opinion, to mislead the Congress and the American people and to convince them, by these studies and these statements before the Senate Commerce Committee that they are actually losing money on meat, that the chainstore profits have not increased in the last few years, that the price-loss experience described so dramatically by Mr. Schmidt has been passed on to the consumer and because of these statements now which have been coming out for several weeks the staff of the National Farmers Union office has undertaken some research, and the results of that research are in Mr. Patton's statement which you have before you and you will find that on the contrary to the chainstore statement that the profits are the highest in history, that the profits on net worth on some of them before taxes go as high as 40 percent. I believe that is one of the smaller chains which reaches that astronomical figures.

But I just wanted to put that in the record, Mr. Chairman.

I want to call attention to this. We have two tables attached to Mr. Patton's statement. We have a smaller table in his statement which completely disproves the idea that the chainstores have not been profiting and in our opinion at the expense of the cattlemen and other agricultural producers in this country.

I would just like to say that we have one, or two or three—maybe three revolutions in this country. One was the revolution in durable prices for tractors and so forth, in which the farmer was forced to pay too high a price, we think, for his supplies and his machinery and so forth.

The other revolution, of course, has been in agricultural technology, which has amazed the whole world.

The third revolution, perhaps, if we can call it that, is the revolution in the marketing of agricultural products.

Years ago you had 100 buyers and 100 sellers. Now you have the same 100 sellers and maybe two or three buyers in the marketplace. And we would suggest to the committee that, perhaps, a thorough-going investigation into the structure of the market will reveal just what has been going on and why cattle producers lost \$2,500 million in the last year and why the price has now gone down to 37 percent as the farmer's share of the consumer's dollar.

We are very much interested in this investigation.

We are in full support of the Cooley resolution and hope that the committee approves the legislation as introduced by the eminent chairman of this committee.

We oppose the bill which was introduced by Mr. Findley, because we believe that you might run into a conflict of interest there, and

we have attached certain excerpts from the 1962 conflict of interest law which indicates that a chainstore representative or one who owns stock or is being paid, has a salary from anyone engaged in processing directly or indirectly in the food industry, would not be allowed to serve on this Commission.

I respectfully call that to the committee's attention.

This concludes my statement, Mr. Chairman.

Mr. POAGE. Thank you.

Mr. FINDLEY. If I may make a parliamentary inquiry, I regret to interrupt once more, but your statement brings up a couple of points which do require some questioning either today or tomorrow or sometime. Will this gentleman be on the stand so that I can question him about the contents of Mr. Patton's statement?

Mr. POAGE. This gentleman will be here with the other witnesses when we have heard our other witnesses who are present.

Mr. Shuman is here. Mr. Bison is here. Mr. Carpenter and Mr. Beckett. We want to give them all a chance to be heard. And if we start questioning now we are not going to get through.

Does that complete the testimony of the National Farmers Union?

Mr. REUBEN JOHNSON. That is right, Mr. Chairman. We thank you very much.

Mr. POAGE. Thank you very much for being here.

Mr. ABERNETHY. Are we going to question any of these witnesses now?

Mr. POAGE. Not until they are all through.

There was not a single member of the committee present, when we started—

Mr. ABERNETHY. I realize that.

Mr. POAGE. We cannot take the time to question the witnesses here in the 2 hours time available.

Mr. ABERNETHY. All I wanted to know is whether we were to be able to question them.

Mr. POAGE. When they are all through you will have an opportunity to question.

Mr. ABERNETHY. I just asked a question if there would be any opportunity for questions. That is all I wanted to know.

Mr. POAGE. There will be when we are all through.

Mr. FINDLEY. If the statements consume the 2-hour period this morning, will they all be back here tomorrow for questioning?

Mr. POAGE. I think that we ought to get along and have time for questioning and we will have time for questioning if we can proceed to hear the witnesses.

Mr. FINDLEY. Mr. Chairman—

Mr. POAGE. The Chair is not going to give you any assurance of any kind.

Mr. FINDLEY. I would like to make one point. In Mr. Patton's statement there was a direct error—an error in fact that involves my bill and I do not think that it is fair not to permit me to challenge the statements in the presence of the man who presented the statement. I think it is only fairplay.

Mr. POAGE. Unfortunately, there is not the opportunity or the possibility of going through with each of these witnesses and spending time questioning and getting through by 12 o'clock. There is just not any way of doing it.

The next witness is Mr. Shuman of the American Farm Bureau Federation. We will be glad to hear you now. I see you have some people with you, and we will be glad to have them sit with you.

**STATEMENT OF CHARLES B. SHUMAN, PRESIDENT; ACCOMPANIED
BY JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM
BUREAU FEDERATION**

Mr. SHUMAN. Mr. Chairman and members of the committee, I have with me Mr. John Lynn, our legislative director, whom you know.

We appreciate this opportunity to present the views of Farm Bureau with regard to House Joint Resolution 977, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

Farm Bureau is an organization of 1,628,295 farm and ranch families in more than 2,700 counties, united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity, and social advancement, thereby promoting the national welfare.

Farm Bureau supports programs designed to deliver to the consumer the highest quality food and fiber competitively priced, because we believe that net per family farm income can only be increased over the long run if we strengthen the marketing system.

We support the principles embodied in House Joint Resolution 977.

Food is the best buy in America today. Americans spend a smaller percentage of their disposable income for food than in any other country in the world. Whereas only 15 years ago 26 percent of our income was spent for food, today food requires only 19 percent of our income; and the variety and quality of the food being purchased today are much better than only a few years ago. This progress has been made possible through increased efficiency in the production and marketing of food.

This has been achieved in a system in which the major determinants have been competition governed by supply and demand factors. At our most recent annual meeting the voting delegates of the member State farm bureaus expressed the following concern:

The reduction in competition resulting from the declining number of buyers, processors, and handlers of farm products enhances opportunity for collusion and necessitates effective action to avoid monopolistic practices in the marketing of farm products.

We are not asserting there has been any collusion or monopolistic practices, but the interest of farmers and consumers in preserving vigorous competitive conditions in food marketing warrants periodic study and review of the effects of rapid changes in marketing practices and structure.

In our opinion much of the impetus for these hearings has been generated by the decline in beef cattle prices. We think it is important that a clear understanding be had as to the principal causes of this decline.

During the past 15 to 18 months, the combination of increasing imports and substantially increased domestic supplies has resulted in a sharp reduction in the prices of cattle for slaughter, including dairy cattle which account for a substantial proportion of our total beef production. The following tables show what has been happening:

Selected statistics on the production, imports, supply, and consumption of red meats and poultry

	Beef and veal	Pork	Lamb and mutton	Total, red meats	Poultry meat	Total, red meats and poultry
Million pounds ¹						
1. Production:						
1958.....	14,516	10,454	688	25,658	6,043	31,701
1959.....	14,588	11,993	738	27,319	6,353	33,672
1960.....	15,835	11,605	768	28,208	6,390	34,598
1961.....	16,341	11,412	832	28,585	7,334	35,919
1962.....	16,311	11,841	809	28,961	7,132	36,093
1963.....	16,896	11,868	757	29,521	² 7,410	² 36,931
Percentage increase, 1958-63.....	16.4	13.5	10.0	15.1	22.6	16.5
2. Imports:						
1958.....	909	193	41	1,143	1	1,144
1959.....	1,063	186	104	1,353	1	1,354
1960.....	776	186	87	1,049	-----	1,049
1961.....	1,037	187	101	1,325	-----	1,325
1962.....	1,445	216	143	1,804	-----	1,804
1963 ²	1,679	226	145	2,050	(³)	2,050
Percentage increase, 1958-63.....	84.7	17.1	253.7	79.4	-----	79.2
3. Exports and shipments:						
1958.....	49	118	2	169	66	235
1959.....	53	143	2	198	154	352
1960.....	56	137	2	195	206	401
1961.....	56	135	2	193	275	468
1962.....	52	131	3	186	299	485
1963 ⁴	58	192	2	252	216	463
Percentage increase, 1958-63.....	18.4	62.7	0	49.1	227.3	99.1
4. Supply available from production, plus net imports:						
1958.....	15,376	10,529	727	26,632	5,978	32,610
1959.....	15,598	12,036	840	28,474	6,200	34,674
1960.....	16,555	11,654	853	29,062	6,184	35,246
1961.....	17,322	11,464	931	29,717	7,059	36,776
1962.....	17,704	11,926	949	30,579	6,833	37,412
1963.....	18,517	11,902	900	31,319	7,194	38,513
Percentage increase, 1958-63.....	20.4	13.0	23.8	17.6	20.3	18.1
Pounds ¹						
5. Per capita consumption:						
1958.....	87.2	50.2	4.2	151.6	34.1	185.7
1959.....	87.1	67.6	4.8	159.5	35.2	194.7
1960.....	91.4	65.2	4.8	161.4	34.4	195.8
1961.....	93.7	62.2	5.1	161.0	37.8	198.8
1962.....	94.6	63.9	5.2	163.7	37.2	200.9
1963.....	100.2	65.5	4.9	170.6	37.8	208.4
Percentage increase, 1958-63.....	14.9	8.8	16.7	12.5	10.9	12.2

¹ Red meats, carcass weight equivalent; poultry meat, ready-to-cook (eviscerated) basis.² Preliminary.³ Not available.⁴ Unofficial estimate.

I will not read the table, but merely present it and call attention to the fact that part 1 of the table shows that production has been increasing; that is, red meat production has increased 15 percent in the last 5 years, and the total of all meats 16 percent, including poultry. Part 2 shows that in the same 5-year period the importation of beef and veal was up 84 percent and the total imports of all meats up 79 percent.

Part 3 of the table indicates that we, also, have been increasing our exports slightly but not in proportion. The increase in percentage,

of course, is up quite a bit, but the total exports do not compare too well with the total imports—a 99-percent increase in the total meat and poultry exports. The supply available table, part 4, shows the supply of beef and veal available is up 20 percent; the supply of all red meats is up 17 percent; poultry is up 20 percent.

Next the “Per capita consumption” is, of course, also increasing very well. On beef it is up about 15 percent. On all red meats it is up 12 percent. Almost 11 percent for poultry.

The following table shows that the beef cattle price received by farmers per hundred pounds on the annual basis has decreased about 10 percent from 1958; hogs down about 23 percent; lambs, 13 percent.

On the other hand, the prices sold out firsthand at Chicago stockyards shows almost a 14-percent decrease in the 5-year period on Prime steers, 12.6 percent on Choice, 15-percent decrease on Cutter cows.

Selected livestock prices

	Beef cattle	Hogs	Lambs
Price received by farmers per 100 pounds			
1958.....	\$21.90	\$19.60	\$21.00
1959.....	\$22.60	\$14.10	\$18.70
1960.....	\$20.40	\$15.30	\$17.90
1961.....	\$20.20	\$16.60	\$15.80
1962.....	\$21.30	\$16.30	\$17.80
1963 ¹	\$19.85	\$14.98	\$18.22
Percentage decrease, 1958-63.....	9.4	23.6	13.2
Slaughter steers sold out of 1st hands at Chicago		Cutter cows at Chicago	
	Prime	Choice	
1958.....	\$28.92	\$27.42	² \$16.54
1959.....	\$29.32	\$27.83	² \$16.27
1960.....	\$27.82	\$26.24	\$15.00
1961.....	\$26.08	\$24.65	\$15.12
1962.....	\$29.81	\$27.67	\$14.72
1963 ¹	\$24.89	\$23.96	\$14.06
Percentage decrease, 1958-63.....	13.9	12.6	15.0

¹ Simple average of monthly prices.

² Canner and cutter cows.

In the following table on U.S. imports and exports of meat animals there is some variation. It is not a consistent trend. There is a sizable import of live cattle.

U.S. imports and exports of meat animals, fiscal years 1958-63

[In thousands of head]

Year ending June 30—	Cattle		Sheep		Hogs ¹	
	Imports	Exports	Imports	Exports	Imports	Exports
1958.....	1,054	18	29	33	2	3
1959.....	1,082	34	32	19	9	2
1960.....	648	50	90	33	5	15
1961.....	656	32	26	31	4	10
1962.....	1,199	19	2	17	3	3
1963.....	1,235	19	20	52	3	4

¹ 200-pound equivalent.

In view of the rather substantial increase that has occurred in the total supply of domestically produced meat and poultry, increased imports quite obviously are not the sole cause of the drop in cattle prices, but they have been a contributing factor.

The present high level of domestic meat production reflects the operation of the well-known cattle and hog production cycles, revolutionary changes in poultry production methods, and the Government's policy of dumping CCC grain stocks to penalize noncooperators under the 1961 and 1962 feed grain programs.

Cattle producers have been building up their herds for several years in response to relatively favorable prices, and a buildup in numbers must, in time, lead to an increase in marketings. In the present case this natural development has been aggravated by a Government feed grain sales policy which encouraged heavy grain feeding.

The following table indicates the extent to which CCC sales of corn, the principal feed grain, were increased under the so-called emergency feed grain program:

*Commodity Credit Corporation sales of corn for domestic use, by quarters, 1956-62*¹

[In thousands of bushels]

Year beginning October—	October-December	January-March	April-June	July-September	October-September
1956-----	16,914	55,812	87,556	18,907	179,189
1957-----	21,166	15,675	13,092	27,251	77,184
1958-----	47,536	37,828	59,245	18,101	162,710
1959-----	22,212	15,881	55,269	17,370	110,732
1960-----	28,344	29,270	138,138	37,387	233,139
1961-----	135,981	420,320	285,704	31,324	873,329
1962-----	113,144	285,012	232,530	21,000	651,686

¹ Domestic sales include fire, theft, and spoilage, in addition to domestic sales and donations.

Source: Table 35 of supplement for 1962 to Statistical Bulletin No. 159, "Grain and Feed Statistic," July 1963 and table 28, "Feed Situation," November 1963, Economic Research Service, U.S. Department of Agriculture.

We have listed these sales by periods, the year beginning in October of 1956 shows the sales there in millions of bushels by quarters and it very definitely establishes the fact that the Commodity Credit Corporation sales of feed grains, of corn were stepped up many, many times during 1961 and 1962, with the intention of penalizing the non-cooperator, but, of course, what it did was to encourage excessive feeding and to almost destroy the prices for livestock.

While CCC sales have been reduced in recent months since it became apparent that such sales were having an adverse effect on livestock prices, feeding has continued heavy, in part, because of the record supplies of feed grains produced under the 1963 program.

Under the 1961 and 1962 feed grain programs, feeders knew in advance that it was Government policy to hold down feed grain prices in order to penalize producers who stayed out of the feed grain program. The certainty that feed grain prices would be held down probably is more important than the actual effect of CCC sales on market prices; however, feed grain prices were depressed.

Secretary Freeman contends that the price of corn under his administration has not been less than \$1.08 per bushel; however, he is

misinformed. In January 1961 the average farm price of corn was \$1 per bushel.

These are U.S. Department of Agriculture figures available to the Secretary.

Under the feed grain program the U.S. average farm price of corn dropped to a low of 93.8 cents in November 1961 and November 1962. The farm price of corn did not rise to \$1.08 until April 1963.

When Secretary Freeman says that the price has not been below \$1.08, apparently he is referring to a weighted average price which includes CCC takeovers at well above the market price.

The effect of the feed grain program on livestock production was determined by the price at which feed grain sold in the market and not by the higher weighted season average which has been raised above the prices actually paid by feeders through the inclusion of CCC takeovers.

The consumption of corn by cattle on feed increased almost 33 percent from 1960 to 1963. The consumption of corn by hogs increased 12 percent in the same period. Detailed figures follow:

[In thousands of tons]

	Corn consumption by—				
	Milk cows	Other dairy cattle	Cattle on feed	Other beef cattle	Hogs
1960.....	11,024	1,200	8,983	3,065	39,619
1961.....	11,490	1,293	11,680	2,833	44,468
1962.....	12,532	1,276	12,452	2,795	44,582
1963.....	12,870	1,276	11,938	2,834	44,379
Percent changes, 1960-61.....	4.2	7.8	30.0	-7.6	12.2
Percent changes, 1961-62.....	9.1	-1.3	6.6	-1.3	.3
Percent changes, 1962-63.....	2.7	0	-4.1	1.5	-.5
Percent change, 1960-63.....	16.7	6.3	32.9	-7.5	12.0

These detailed figures are from the U.S. Department of Agriculture.

The wheat portion of the cotton-wheat bill which was recently signed into law constitutes a further threat to the well-being of the livestock industry. The contemplated Government policy of not letting wheat prices in the market rise above \$1.30 per bushel would cause much more wheat to be fed and could further disrupt feed-livestock ratios with serious adverse consequences to livestock, dairy, and poultry producers.

A comprehensive study of the food industry can be helpful if such a study is made objectively and is conducted by the best qualified men available. Its purpose should be to ascertain the facts—not to divert attention away from the primary causes of the decline in fed cattle prices. Above all, such a study must be completely free of election-year politics.

Farm Bureau will be happy to be of assistance to this committee, and to the proposed Commission, in facilitating an objective study of this matter.

Mr. POAGE. We thank you very much, Mr. Shuman. Does Mr. Lynn want to make a statement?

Mr. LYNN. No.

Mr. SHUMAN. No.

Mr. POAGE. Thank you very much.

We will be glad to hear from you now, Mr. Bison.

Mr. Bison is general counsel for the National Association of Retail Grocers here in Washington, D.C.

STATEMENT OF HENRY BISON, JR., GENERAL COUNSEL, NATIONAL ASSOCIATION OF RETAIL GROCERS OF THE UNITED STATES, WASHINGTON, D.C.

Mr. BISON. Mr. Chairman and members of the committee, my name is Henry Bison, Jr. I am general counsel to the National Association of Retail Grocers of the United States, on whose behalf I submit this statement.

The association represents foodstore operators in every State of the Union. It was founded in 1893, and has its headquarters at 369 Michigan Avenue, Chicago, Ill. The organization is a federation of several hundred State and local associations of food retailers. It represents those retailers generally described as independent foodstore and super-market operators. The governing board of the association is elected at the annual convention of the organization. In June of this year it will hold its 65th annual convention in Miami Beach, Fla.

By action of its board of directors taken on April 18, 1964, the association has adopted a position supporting the establishment of a National Commission on Food Marketing to study the food industry from the farm to the consumer. It will cooperate to the fullest extent possible in developing impartial and factual surveys of current trends and practices in the food industry. The association will prepare such studies relating to food distribution without cost to the Government as may be called for by the Commission. It welcomes the opportunity to provide useful information to the Commission in the discharge of its duties.

There is no doubt that the food industry, and particularly retail distribution, has changed considerably in the last two decades. It is not necessary or appropriate at this time that we describe these changes and appraise their effects within the economy. Such analysis is one of the purposes of the proposed Commission.

It is generally acknowledged, however, that the retail food distribution system in this country is the most efficient, the most competitive, and has provided consumers in the United States the greatest variety of health-giving food and food products that the world has ever seen. At the same time, it has produced such economies that urban families are now spending considerably less of their disposable income for food.

Secretary of Agriculture Orville Freeman recently pointed to the progress the food industry has made. He said:

In relation to family income levels, food today is a greater bargain than ever before. Compared to what families in other lands pay for food, the American consumer has more money to spend on other items than do consumers in any other nation.

Retail food distribution is one of the most dynamic segments of our entire economy. It has developed new techniques and methods, always with the desire to keep improving the goods and services it offers to the

consumers of the Nation. The food industry is not static in any respect; it is engaged in constant efforts to sell more and better products as economically as possible, and in such a way as to make shopping a pleasure for every customer. In summary, the food industry and food retailers generally have developed, through freedom of initiative which prevails in this country, a record of service to the public never before attained in any society.

It is not our purpose here to comment on the concern frequently expressed with respect to the economic effects of current trends and practices in food distribution. Neither is it our desire to offer at this point a statement of our views on the developing changes in the structure of retail food distribution.

These issues involve complex matters. And in an industry as large, dynamic, and diverse as this one, hasty generalizations often prove inaccurate. Careful study must necessarily precede valid conclusions. Since the purpose of the Commission is to identify changes taking place in the food industry, assess their effects, and forecast future developments, and since the proposed legislation calls for a thorough study of these matters before reaching a judgment, we believe it is in the best interest of all concerned to support a fair and factual study and await its findings before reaching any conclusions. We do not believe anything will be gained by attempting to prejudge what such a study will produce.

We trust that once the study begins, we will be given an opportunity to express our views and submit factual support for them. We also hope it will be possible to offer carefully considered recommendations for changes in Federal policies, laws, and regulations.

When the Commission is established to study the food industry, the association will offer its cooperation and undertake to provide useful information. This is a matter of great importance, and the association will assist in every way it can to make the study a success.

In conclusion, there is a need to examine carefully the economic forces now shaping the food industry of this country. We are in the midst of an era of great transformation. Patterns that have prevailed for many years are rapidly disintegrating. This is especially true in retail food distribution and merchandising. A new order is developing. New conditions are arising. A swift current of change is carrying us into unfamiliar areas. We are faced with situations which did not exist until recently. Old concepts, historic attitudes, and long-established policies may no longer be valid under present conditions.

We should learn all we can about the changes that are taking place; what they are, where they are leading us, how they will affect consumers and the Nation as a whole, as well as those who produce, process, or distribute the food and food products that come from our abundant resources. Only when we know more about the answers to these questions will we begin to have sufficient knowledge and understanding to judge what adjustments are needed in public policy that directly affect the performance of the food industry and the welfare of our people.

Mr. POAGE. Thank you. We are very much obliged to you, Mr. Bison.

The next witness is Mr. L. C. Carpenter, director of public affairs, Missouri Farmers Association, who is accompanied by Mr. W. W. Beckett, executive vice president and general counsel, Missouri Farmers Association.

**STATEMENT OF L. C. CARPENTER, DIRECTOR OF PUBLIC AFFAIRS,
MISSOURI FARMERS ASSOCIATION; ACCOMPANIED BY W. W.
BECKETT, EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL,
MISSOURI FARMERS ASSOCIATION**

Mr. CARPENTER. Mr. Chairman and members of the committee, Mr. Beckett will paraphrase our statement. It is a pleasure to be here this morning. Our statement is on behalf of the Missouri Farmers Association, Inc. Mr. Beckett is not only the administrative executive vice president and attorney for our association, but a beef cattle producer who has studied this situation and is in the best position to give this paper to you.

Mr. POAGE. We will be delighted to hear from you.

Mr. BECKETT. Mr. Chairman, for purposes of the record we would like to file our statement and then just make a few remarks.

Mr. POAGE. Without objection your statement will be made a part of the record.

(The prepared statement of W. W. Beckett follows:)

**STATEMENT OF W. W. BECKETT, ADMINISTRATIVE VICE PRESIDENT, MISSOURI
FARMERS ASSOCIATION, INC.**

Mr. Chairman, members of the committee, my name is William W. Beckett, and my address is Columbia, Mo. I am administrative vice president of Missouri Farmers Association, a general farm organization with over 152,000 members.

I appreciate this opportunity to appear here in support of this resolution to establish a national Commission on Food Marketing. A commission of this nature has long been needed to study the food industry, starting at the point where food is produced—the American farmer—and following it through its regular channels to its ultimate user—the consumer.

The American farmer today is operating at the highest degree of efficiency in the history of world agriculture, yet he gets less of the consumer's food dollar today than he did 10 years ago. The hard cold facts are that today he receives only 37 cents of the consumer's food dollar. The average family today pays less than 19 percent of its spendable income for food. In fact, the American consumer has more money to spend on other items than that of any consumer in the entire world. Ironically, with all of our national prosperity and with the enormous buying power of the American public, the income of the farmer who produces the food is only 60 percent of the income of other segments of our economy. Thus the price of processed foods at the retail level is extraordinarily high in relation to the prices received by the producer of those foods.

As a farmer myself, we have available to us the know-how and the technology to produce food and fiber with a high degree of efficiency and by the use of modern techniques we can reduce our overall per unit production costs. However, this efficiency, which has increased our productive capacity greatly, has worked to the distinct disadvantage of the producer.

This revolution in agriculture has been accompanied by substantial changes in the patterns of marketing and distribution of food. Only a few short years ago thousands of individual firms were engaged in processing and distribution of food, but, today, this number has been reduced to only a few large firms. Although the number of farmers is decreasing they still number in the millions and apparently are unable to match their selling power with the buying power of the major food distributing companies. Farmers are concerned and alarmed over this apparently increasing concentration of buying power in the hands of so few.

The commission, if provided for by the resolution under discussion today, can bring all pertinent facts before the Congress and the general public. Through this process we should be able to define the problems, obtain the facts, formulate answers, and take appropriate steps, either through new legislation or otherwise to correct this situation.

We have seen within the last few months beef cattle prices depressed to where cattlemen have suffered an estimated loss of \$2 billion. We know full well that cattle production and cattle prices normally "run in cycles," and that we are currently on the high production side of the circle. Normally under a true system of free enterprise, as the price to the producer declines, logically would the price to the consumer decline. This is not true today. As a matter of fact, statistics reveal that in December 1963 producers of Choice grade beef realized nearly 12 cents per pound less for their raw products than during the period of 1957-59. And during that same period, statistics reveal that the retail price to the consumer of Choice beef increased approximately 2 cents per pound. This is only one of the commodities that bears such a record.

Although I will not bore you with statistical information, trends in the dairy industry are developing in exactly the same direction as I have indicated in other segments of the food industry. Independent dairies, of which only 10 short years ago there were thousands in the United States, are today virtually extinct. Only a few major dairy corporations remain as they have followed their continuous process of absorbing the small dairy and incorporating it into their closely knit chain of operations. Some of these likewise face trouble as the large food chains expand their own dairy processing operations.

On behalf of President Heinkel and all of the members of the Missouri Farmers Association we urge your committee to pass this resolution, which will make it possible to bring to light the true facts and place them before the American public for such congressional, administrative, or industry action as will be in the best interests of all segments of our economy in the United States. Again, may I thank you for this opportunity of appearing here today.

Mr. BECKETT. We appear here in support of the resolution introduced by the chairman. I am not familiar with the other resolutions that have been introduced but we believe that a comprehensive study of the food industry is very important. There is a very widespread belief by the farmers in this country that the concentration of buying power in the hands of a relatively few major purchasers has had a decidedly adverse effect on their situation. They feel that their pricing structure is unprotected because of their lack of being able to concentrate their selling power and to match the buying power of the larger food distributors, but whether this belief is right or wrong, it is widespread and is generally held if not unanimously held by farmers.

An investigation of this sort should either affirm or dispel that belief that is held by these people.

Farmers, likewise, have a real concern in the disparity between farm prices and consumer prices. It is very hard for a meat producer to understand why, when farm prices reach the low levels at which they are currently operating, why does not that reflect in the consumer prices that the retailers charge at the meat counter? This is a widespread belief held by farmers. And this is an opportunity to review the causes of this, the why's of this. And if there is a good explanation for it, I think that the people of the country, and particularly the farmers, are entitled to this explanation.

If there are practices that are not in the best interests of the general public, they should be brought to light and corrective measures taken.

We fully support the idea of the comprehensive study of the food industry. We do not believe that it should be a witch hunt. It should be a constructive study to define the problems to ascertain the facts, to attempt to find solutions, and to implement the suggested solutions by

action by the Congress, by the administrative agencies of the Government and the industry itself.

Thank you, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Beckett. We are very much obliged to you gentlemen for your statements.

I want to thank all of the witnesses for their cooperation. You have done what I consider to be a very hard job of keeping your statements within reasonable bounds, and for doing so, we thank you.

To expedite this matter the Chair is going to first limit the questioning of any one member of the committee to 5 minutes until we have gone the rounds.

And in the next place, the Chair is not going to use 5 minutes. I will forgo that.

I want to ask the other members if it is satisfactory if the Chair starts with Mr. Findley that he may not be precluded from asking the questions that he wants to ask.

Mr. ROSENTHAL. Is that just the one witness that he had an interest in?

Mr. POAGE. That applies to all of the witnesses.

Mr. ROSENTHAL. I would object to that on general principles. I do not see why he should rank ahead of more senior members on this committee.

Mr. HOEVEN. The Chair asked whether there was any objection about his starting with Mr. Findley.

Mr. ROSENTHAL. I will object, Mr. Chairman.

Mr. POAGE. There is an objection.

Mr. ROSENTHAL. Except as to the one witness that he had a particular interest in.

Mr. POAGE. I think that Mr. Findley would be limited to 5 minutes, the same as any other member, in that event. He can ask any witness he wants any questions that he wants within the 5 minutes. Without objection, that is what it will be.

Mr. HOEVEN. Does the gentleman object to that?

Mr. ROSENTHAL. No.

Mr. POAGE. You may proceed, Mr. Findley. He does not object.

Mr. FINDLEY. I hope this 5-minute limit will apply to all questioning of witnesses and become a precedent for all hearings by this committee.

Mr. ABERNETHY. He has already used 30 seconds. [Laughter.]

Mr. FINDLEY. The point is well worth taking 30 seconds to make. I would like to ask a question of Mr. McDonald.

Mr. POAGE. Go right ahead.

Mr. FINDLEY. In Mr. Patton's statement, he calls attention to my bill and he states that it is identical to the one recommended by the President, except that it provides for the Commission to be represented from three large general farm organizations. That is not a correct statement. I hope that you realize that by now.

Mr. McDONALD. You are absolutely right.

Mr. FINDLEY. There are many differences between my resolution and—

Mr. McDONALD. You are absolutely correct. That was due to an oversight on my part and a typographical error where "identical" should be "similar." I am sure that you will not mind my saying

there are several other provisions in regard to the fee they are to be paid. I believe that your bill omits the subpoena power?

Mr. FINDLEY. No; it does not.

Mr. McDONALD. I did not read it carefully enough, then. There are major differences.

Mr. FINDLEY. I think that there are some that you would approve of—the effect of imports, for example.

Mr. McDONALD. The points that Mr. Findley objected to will be corrected.

Mr. FINDLEY. I appreciate this very much. Your point about conflicts of interest intrigues me. How in the world would you find anyone within the borders of the United States who does not have a personal conflict of interest involved in the investigation of the food industry? He is either a consumer, a taxpayer, if not a processor or a handler of foods. So if you are going to apply the conflict-of-interest rule here you are going to have to go beyond the borders of the United States to find qualified people; is that not correct?

Mr. McDONALD. I think, Mr. Congressman, if you will read the law carefully you will find that it specifically refers to people who have stock in food companies, who are instrumental in such as members of the board who are paid by food companies, and so forth. I do not think the law was intended to be as all inclusive as you suggest.

Mr. FINDLEY. And yet the primary objective of this is to protect the interests of the consumer; is that not correct?

Mr. McDONALD. That is correct.

Mr. FINDLEY. And if that is the primary objective the interest of the consumer is foremost and if there is a conflict of interest involved in anyone it is involved with the people who are the consumers.

Mr. McDONALD. I think that you will agree in legal terminology that the specific provision of the law prevails, rather than a general provision or an indirect assumption which has the indirect and general vague meaning.

Mr. FINDLEY. But your organization——

Mr. McDONALD. The specific application of this law refers to salaries and stock, to gifts and the like, and I think that the consumer if he was on the payroll of the food chain and if he had received gifts, if he was a member of the board, I think he would be excluded but I do not think that the fact of his being a consumer would exclude him from this Commission.

Mr. FINDLEY. Your organization is urging that the conflict-of-interest law be applied vigorously, therefore, in qualifying the members of the Commission.

Mr. McDONALD. That is correct.

Mr. POAGE. Does that finish your questioning?

Mr. FINDLEY. Yes. Thank you.

Mr. POAGE. Thank you.

Mr. HOEVEN has some questions.

Mr. HOEVEN. Mr. Shuman, in your prepared statement, you said you were in favor of the objectives of this legislation.

Are you satisfied with House Joint Resolution 977, or do you think it should be amended?

Mr. SHUMAN. No; we are not making any suggestions for amendments. However, we are not saying that there might not be other

changes made by the committee that would be agreeable to us. In other words, we are for making the investigation.

Mr. HOEVEN. There were some suggestions made by committee members yesterday in which it was intimated, at least, that the proposed Commission might have extraordinary or too much power. Do you have any comment on that?

Mr. SHUMAN. Of course, I think that the Commission must have enough authority to do its task. I have no opinion as to how much authority it should have, nor have I any recommendation on it. I do have a feeling that the date of 1966 is a little long to wait. It gets into another election campaign. Perhaps it would be better if the report would be made before 1966. That is immaterial.

Mr. HOEVEN. Are you satisfied that the subpoena power given to the Commission is necessary as set out in the bill?

Mr. SHUMAN. I have no basis for saying that it is or is not—no experience nor basis for it—I have no comment on that.

Mr. HOEVEN. I think it is, perhaps, a protective provision but I wonder why it is really necessary. I seriously doubt whether many would fail to comply with a request by the Commission to furnish certain information pertinent to the inquiry. I am a little bit skeptical of granting subpoena power when it is not really necessary.

Mr. SHUMAN. It is my opinion that there will be no trouble with the people whom the Commission wants to question but what they will appear. I doubt very much if additional power is desirable. Those investigations where they have had the subpoena power and they have brought the witnesses, that is, the reluctant witnesses in, we have a long record of taking the fifth amendment. And so I think it is rather immaterial.

Mr. ABERNETHY. They could still take the fifth amendment.

Mr. HOEVEN. I have no further questions.

Mr. ABERNETHY. Even under the subpoena power they could still take the fifth amendment.

Mr. SHUMAN. That was my point, Congressman. I do not think that the subpoena power is of any advantage.

Mr. ABERNETHY. If I may take a few minutes of my time while he is in the witness chair, I would like to pursue that further. I was one who raised this question. Maybe others did, too. I am for the resolution. I think it will do a great deal of good. I think it is in the interest of the people of the country. But I am tremendously concerned about the tremendous powers that are being vested in this Commission, particularly powers which provide the authority to force people to open up their records. This resolution contemplates that this Commission will learn of secrets—it refers to the words “trade secrets”—business secrets—and I guess a man is entitled to have those things—trade practices—I do not mean anything ulterior when I use the word “practices”—and other information that ought not to be opened to one’s competitors. Of course, the resolution says they must keep all of this information in confidence. Can you picture five Members of the Senate and five Members of the House and five lay members keeping secret all they learn about a concern’s business operation?

Mr. SHUMAN. No, I think it would be very difficult.

Mr. ABERNETHY. That is what worries me. That is what concerns me. There will be information they will obtain which the drafters of the resolution themselves admit should not be given out.

Mr. SHUMAN. I think that I would certainly agree with the Congressman that we have had excessive concentration of power in Government and I see no real need for the power of subpoena, because I think that you are going to have the cooperation of the entire food industry from the farmers on up.

Mr. ABERNETHY. That is what I wanted to say. If they do not cooperate, let us say that we go ahead and we pass this without the subpoena power and let us say they do not cooperate, then I think we can come back and provide the subpoena power. There may be reluctance on the part of anyone to open up information that the Commission is entitled to have. If this occurs, it might be that the resolution ought now to contain this authority. I just have not made up my mind. I am concerned about it very much.

Mr. POAGE. Thank you.

Mr. Rosenthal.

Mr. ROSENTHAL. Have you given any thought as to the nature or the background of the individuals who are to be appointed by the President, as to where they should come from, what their experience and background should be?

Mr. SHUMAN. Very little, but our opinion would be that they should be from various segments of the economy, including agricultural consumers.

Mr. ROSENTHAL. Do you think that perhaps it should be spread over the economy among varying interests?

Mr. SHUMAN. As largely as possible, yes.

Mr. ROSENTHAL. Thank you.

Mr. FINDLEY. Will there be a later opportunity to ask questions?

Mr. POAGE. There will be a later opportunity if we go forward as we are doing it. I do not like to apply an arbitrary rule. I think the members are seeing what I am trying to do to give everybody an opportunity. Without objection, I am going to recognize Mr. Findley again.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. Shuman, do you feel that an officer of the Farm Bureau should be disqualified from serving on this committee?

Mr. SHUMAN. Yes, sir; I think that anyone connected in an official way at a top level with any farm organization would be bound to be prejudiced.

Mr. FINDLEY. Should this apply to the State and country levels as well?

Mr. SHUMAN. Well, of course, I do not know. That certainly does to the States. I do not think that any State officer of any farm organization or any other organization of any kind that is in the food industry should be on the Commission.

Mr. FINDLEY. How would you select some of the representative interests for agriculture as I think you suggested should be represented in your questioning by Mr. Rosenthal?

Mr. SHUMAN. I think there are many other areas that you can look to for people who can represent agricultural interests on a Commission of this kind. There are, of course, the entire area of agricultural education—there are farm operators, many of them well qualified. I think there are plenty of alternate areas.

Mr. FINDLEY. Do you think it would be unwise or hazardous to have a member on the Commission who is active in the food and retail industry?

Mr. SHUMAN. Yes; I think it would be a mistake to have anyone on the Commission who is actively engaged in the operation of a business that was being investigated.

Mr. FINDLEY. Thank you.

Mr. POAGE. Thank you.

Mr. GATHINGS.

Mr. GATHINGS. You gave us a real good statement, Mr. Bison. I just want to ask you if you saw the Wall Street Journal of Friday, May 1, 1964, as to the profit comparison of food chains. Did you see that?

Mr. BISON. Yes, I did, Mr. Gathings.

Mr. GATHINGS. Did you check over these statements?

Mr. BISON. No, I have not checked it—I have not.

Mr. GATHINGS. Did you check it?

Mr. BISON. No, I have not.

Mr. GATHINGS. This is as to the chain grocers for the first quarter, 1963, and the same quarter for 1964. According to this item, they had earnings of \$31,972,000 for the first quarter of 1963. It was up for 1964 from that \$31-million-plus, to \$36,679,000, or 14.7 percent increase. That is about right, do you think?

Mr. BISON. Yes, sir.

Mr. GATHINGS. That is all.

Thank you.

Mr. POAGE. Thank you, Mr. Gathings.

Mr. Quie.

Mr. QUIE. I have no questions.

Mr. POAGE. Mr. Abernethy.

Mr. ABERNETHY. I have one question that I want to ask Mr. Naman.

When you mentioned the feeding in the Waco area, you stated that this was being carried on by the chainstores, processors, and speculators. And when you say "processors," you have reference to whom?

Mr. NAMAN. The meatpackers.

Mr. ABERNETHY. And no others?

Mr. NAMAN. No others.

Mr. ABERNETHY. What are these processors?

Mr. NAMAN. What other processors—the meatpackers.

Mr. ABERNETHY. Could you identify any of them?

Mr. NAMAN. The meatpackers?

Mr. ABERNETHY. Yes.

Mr. NAMAN. Yes, I could. One of them is Neuhoff Packing Co. in Dallas.

Mr. ABERNETHY. Anyone else?

Mr. NAMAN. I cannot think of anyone else.

Mr. ABERNETHY. What do you mean by "speculators"?

Mr. NAMAN. These are the people with interests outside of agriculture who buy cattle, and put them on the field on a contract basis.

Mr. ABERNETHY. Are they local people mostly?

Mr. NAMAN. Some of them are and some of them are not.

Mr. ABERNETHY. But they are people that are in the cattle feeding enterprise. I do not want to be misunderstood. I am not making any

accusations. Do you see anything wrong in their activity? Do you feel that it is wrong for a person, an individual who has earned some money, to invest it in cattle or sheep or hogs or anything else in the agricultural practice?

Mr. NAMAN. I do not see anything wrong in it.

Mr. ABERNETHY. Do you think it should be prohibited?

Mr. NAMAN. I do think that the environment that encourages that is not good.

Mr. ABERNETHY. What is the environment?

Mr. NAMAN. The concentration of buying. We have eliminated many of the buyers from our area, the independent buyers, because so much feeding is done by the chainstores.

Mr. ABERNETHY. Is it your feeling that that practice should be stopped?

Mr. NAMAN. I think that it is not in the best interests of the family farmer.

Mr. ABERNETHY. Well, I do not think that is quite an answer to my question. If you prefer not to answer the question, all right. Do you feel that we are now establishing the direction for this Commission activity? They have to do the job. We are directing them to do the job and we are giving them the tools with which to do it. Is it your feeling that if they find that the form of environment exists, to which you refer, that they should make a recommendation that it should be stopped?

Mr. NAMAN. Yes.

Mr. ABERNETHY. You do?

Mr. NAMAN. Yes.

Mr. ABERNETHY. Would you suggest how much one should be permitted to invest in the cattle or agricultural enterprise? For instance, would you prohibit any investment of one who was practicing law?

Mr. NAMAN. I think you should practice law if you want to practice law, so that if you want to make agricultural investments it should be made so that it will not happen.

Mr. ABERNETHY. Do you think that the law ought to be changed, so that a farmer who is doing reasonably well would not be permitted to make investments in other enterprises?

Mr. NAMAN. No.

Mr. ABERNETHY. Why do you apply it to one then and not to all?

Mr. NAMAN. Because I think that one of the results of what is happening has been the depletion of agriculture and I do not think that the reversal is the same.

Mr. ABERNETHY. The question is whether you think it should be applied.

Mr. NAMAN. I think that we misunderstood each other. I said that tax laws made it beneficial for interests outside of agriculture to move into agriculture and it has been detrimental to farming.

Mr. ABERNETHY. But that tax law was written to benefit the farmer—it does benefit the farmer. It gives him certain exemptions.

Mr. NAMAN. I think more than benefit has been attributed to the interests outside of agriculture.

Mr. ABERNETHY. You may be right. Thank you. That is all.

Mr. POAGE. Thank you, Mr. Abernethy. Mr. Dague.

Mr. DAGUE. No questions.

Mr. POAGE. Mr. Jones.

Mr. JONES of Missouri. I would just like to make a statement and then ask the various representatives of the farm organizations to give a brief response to it within the 5-minute period.

The question is, Is it preferable to confine the authority of the Commission to the announced intention to study the food industry from the farm to the consumer, or, as someone has suggested, to expand the inquiry to include an investigation of imports, the Common Market and other broader fields. While we know that imports have an effect on the income as well as the pricing, it has been my thought that the problem of determining what, if any, effect these procedures involved in the marketing, transportation, processing, distribution, have, that that is of such a magnitude that the Commission might well confine itself to these problems rather than to expanding the inquiry to include the problems which are already being studied by other groups.

In other words, would it be advisable to confine this study to what I would call the domestic farm problem?

Mr. McDonald, for instance, what would be your idea on that?

Mr. McDONALD. I would think, Mr. Congressman, that the investigation should stay within the limits indicated in its language, that the pricing, and so forth, should be all along the line, the chain that goes from the point of possession to the point of consumption. That should be the confines of the investigation.

Mr. JONES of Missouri. Mr. Shuman, would you care to comment on that?

Mr. SHUMAN. I do not believe that the Commission should be confined strictly to certain areas, but at the same time I do not see any special need for specifically charging them with staying out of all these other areas. There are other areas that they may go into that the Tariff Commission and others might cover: that is, some of them. I do not think that we should limit them. At the same time I question whether it should be broad.

Mr. JONES of Missouri. Thank you.

Is there anyone here from the Grange?

Mr. POAGE. The representative from the Grange has gone.

Mr. JONES of Missouri. Mr. Bison.

Mr. BISON. The question is whether the bill as presently drafted is broad enough to cover that matter. If you will read paragraph 4 on page 3, subsection (b) it would be possible for the Commission, in its discretion, to consider the subject.

Mr. JONES of Missouri. I pointed that out yesterday and there was some suggestion here that we should broaden the field of inquiry. That is the reason why I put this question. What would be your thought, Mr. Beckett, on this matter?

Mr. BECKETT. Mr. Jones, I think that the primary purpose of the investigation should be of the domestic food industry from the farmer to the consumer. And by the same token, however, I do think that the buying practices that are current in the domestic food industry as a lever on the farm prices is, certainly, something that should be looked into. I will cite an example, if I may.

The Missouri Farmers Association is an organization including a cooperative marketing organization which includes a packing division. We are meatpackers. We find it impossible, of course, in our situation

to import beef. This would be completely foreign to the purpose of our being here. Yet we find that right within our own State of Missouri that it is impossible for us to bid on certain meat contracts because we just cannot compete even at the low level of prices we have. We cannot compete for this business where there is 100 percent purchases of foreign beef. There is a spread of 4 or 5 cents a pound and we are excluded from this market purely because of just one factor. I must say that in this sense the impact of imports on domestic buying practices, where imports are being used as a wedge or a lever to further depress farm prices other than the law of supply and demand, if the threat of imports or the threat of being able to import is used as a lever to further depress beef prices, for example.

Mr. JONES of Missouri. Thank you. The reason that I brought this out is that I think it is a problem of trying to get from the farm to the consumer. We know that there is a gap in there. We have many reasons to believe that there should be improvement in some of our procedures. I was hopeful that this resolution would enable us to get into that, and that imports and things like that should be left to the Tariff Commission, and to the other groups that are making those studies rather than to broaden the work of the committee.

Mr. HOEVEN. The gentleman from Missouri will find in section 4 of the resolution that the general duties of the Commission are set out as follows: "The Commission shall study and appraise the marketing structure of the food industry, including the following:" And then it lists five subjects which are specifically included. It is my interpretation that the Commission can do anything in its study and appraisal of the food marketing industry. It might include a study of the European Common Market as it might involve our marketing structure.

Mr. JONES of Missouri. That is what I was trying to get out in this thinking, because if we get into that there would be an inclination to divert itself from the main problem, rather than to keep our eye on the main subject.

Mr. HOEVEN. The Commission should not be too restricted in its investigation.

Any investigation relating, for example, to the poultry situation might involve the Common Market operation and if so, would be proper under the language which authorizes the Commission to study and appraise the entire marketing operation.

Mr. JONES of Missouri. Thank you. That is all.

Mr. POAGE. Thank you, Mr. Jones.

Mr. Short.

Mr. SHORT. I would like to use a part of my 5 minutes to call the attention of the committee to the fact that Mr. Ed Smith is with us this morning. He is my good friend and we in North Dakota have a high regard for him.

I would like to ask the gentleman from Texas if I understood him rightly. Did you say that a considerable amount of feeding is done by the chainstores in your area?

Mr. NAMAN. Our operation is primarily a grazing operation in McLennan-Falls Counties. My discussion concerned the grazing operations.

Mr. SHORT. Are these livestock grazed the property of the chainstores or are they under contract to the chainstores?

Mr. NAMAN. They are owned by the chainstores and they are put on the farmers' fields on a contract basis.

Mr. SHORT. Then what happens to them when it comes time to process them?

Mr. NAMAN. Then they go to the chainstore feedlots.

Mr. SHORT. Then what happens to them—when are they processed?

Mr. NAMAN. Then they are processed in the chainstore packing plant.

Mr. SHORT. Where are these packing plants?

Mr. NAMAN. In the Colorado area.

Mr. SHORT. You mean they ship them from Waco, Tex.?

Mr. NAMAN. Yes.

Mr. SHORT. And bypass the local packing facilities—that they ship them clear to the chainstore packing plant in Denver?

Mr. NAMAN. A great number of them. As a matter of fact, year before last 10 percent of the cattle belonged to one particular chainstore. I do not have the exact figures, but it was rumored that, at least, 10 percent belonged to one chainstore.

Mr. SHORT. This packing plant in Denver—I am not trying to defend the chainstore, but as I understand it, this packing plant, that the chainstore owns in Denver is one of the very few in the United States at the present time that the chainstores actually own, is that not right?

Mr. NAMAN. I do not know, as a matter of fact.

Mr. SHORT. Do you know of any other packing establishment that the chainstores have?

Mr. NAMAN. No, I do not. I just know about this one operation.

Mr. SHORT. How many cattle would they be processing there?

Mr. NAMAN. All I know is that year before last they had between 3,000 and 4,000 cattle in Texas on the contract basis in our area.

Mr. SHORT. Thank you very much. Thank you, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Short.

Mr. HAGEN.

Mr. HAGEN of California. I want to say that I think that the concentration of this buying power in a few retailers is the biggest threat to the farmers that exists, not only the farmers but all other elements in the food industry, including some rather large processors. In looking at this legislation I feel that we must eliminate the Members of Congress or reduce their number on this Commission, and unless we do, it will be too political. I would rather have it done by economists. I recall testimony before the Joint Economic Committee 4 years ago. I think that almost with no exception the economists testified one way and the congressional committee came out with a conclusion exactly the opposite. And since this is an economic problem, as I read Mr. Patton's statement, I do not know that he demolishes the arguments of the meat companies on meat—we have to have some specific figures with respect to the meat commodity rather than looking at the overall profits of the chainstores. We in California have always felt that the fruit and vegetable industry takes a worse beating from the chainstores than the meat producers have ever taken. One reason is that there are certain attitudes on the part of the Department of Justice, et cetera, which, actually, forbid the farmers to take the kind of joint action that they need to bargain with the processors. I think this would be a very good area to examine into, to get some

new rules, to let the farmers have this bargaining power, as the labor unions have, and some of these other organizations. It would not cost the Federal Government a dime to have that kind of a farm program. I hope this Commission will recommend such new rules. I would like to see processors on the Commission, every element of the food business to be represented on this Commission by, at least, one person. In California our marketing order provides for this kind of representation, although it is a minority representation, but it is representation.

That is all I have.

Mr. POAGE. Thank you, Mr. Hagen.

Mr. Beermann.

Mr. BEERMANN. Mr. Chairman, I would like to make a comment as to the composition of this Commission, that one person above all else who ought to be on it should be a tax expert. I would like to see the Commission study determine what effect local, State, and Federal taxes have in each transaction. I know that the farmers are not paying much taxes now, but I think we might find that maybe at the Federal level in the tax system, the biggest percentage is taken by taxes, because it is in every transaction.

I think that is about all that I want to say now.

Mr. POAGE. Thank you.

Mr. Matthews.

Mr. MATTHEWS. Mr. Chairman, I would just like to make one or two observations.

I am pleased to see that there is a general consensus for this bill which represents, I think, a **very fine thing**. We are approaching almost complete unanimity as we always have when we consider my peanut bills I have introduced. [Laughter.]

I would like to emphasize what Mr. Hagen has said about the problems of the fruit and vegetable industry. I think those of us from California and Florida realize that we should emphasize the great problems facing the beef cattle industry. I want to emphasize my concern about that problem, but we, also, are concerned about the marketing of fruits and vegetables. I remember that 2 or 3 years ago I pointed out on the floor of the House that in my congressional district in Florida that the farmer was getting 25 cents for a 50-pound watermelon, yet we were paying 50 cents for a little serving of watermelon in the House of Representatives restaurant. My observation caused the price to go down to 40 cents a slice, but the farmer still was not getting hardly anything at all for his watermelons.

I have one other observation: I sat through all of the hearings on yesterday and I want to congratulate the chairman on his procedures today.

I do not recall whether or not we have brought out the problem of the tax structure insofar as that is concerned in this study. I would imagine all over America today we are having problems with this tax structure.

In Florida we are having a particular problem. The farmers are finding that their land is too often assessed on the basis of residential value, which is a higher basis from what it should be assessed. These lands are getting closer to the large city areas, and I imagine that this is a problem that we have all over America.

So I would hope in this study there might be some way, at least, to give some attention to the tax structure as it would involve the assessment of farmlands.

I think that is about all I have to say, except to point out again how wonderful it is to see this consensus in favor of this bill.

I have thoroughly enjoyed the comments of all of the witnesses.

Mr. POAGE. Thank you, Mr. Matthews.

Mr. Purcell.

Mr. PURCELL. Mr. Chairman, I have no questions. I think I can save the time of the committee by using the good judgment of my friend from Florida in subscribing wholeheartedly to what Mr. Matthews has said this morning.

I will let you have the rest of my time, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Purcell.

Mr. Rosenthal.

Mr. ROSENTHAL. I have one question that I would like to ask Mr. Shuman and Mr. McDonald.

Do you think that the Commission when finally it gets started ought to look into the question of the integrity of the family farmer and how that is involved so far as the purchasing power of the retail chains and their associations are concerned.

Mr. SHUMAN. I do not know what you mean by the "integrity of the family farmer."

Mr. ROSENTHAL. Yes. Maybe I should put it another way. How is the future being affected by this concentrated purchasing power of the family farm which is diminishing in importance and numbers.

Mr. SHUMAN. It seems to me that the whole purpose of the Commission is to see whether or not the operations within the food industry are providing adequate compensation to the family farmer, in accordance with this resolution. So it seems to me that is it.

Mr. ROSENTHAL. Mr. McDonald, do you have a thought on that subject?

Mr. McDONALD. Ninty-five percent of agricultural production is accounted for by the family farmers. I would think that it would be inevitable that the welfare of the family farmer would be paramount in the minds of the Commission.

So far as the National Farmers Union is concerned, that is our reason for being. That is our purpose: to preserve and foster the family farm.

Mr. ROSENTHAL. Thank you. That is all.

Mr. POAGE. Thank you.

Mr. Olson.

Mr. OLSON. Thank you, Mr. Chairman. I have one question to ask. I would like to make a comment preceding that.

I am happy to see that there is no dispute concerning the establishment of this Commission. One example of the questions that need answering is what has become of the \$2.5 billion that our domestic beef producers have lost? Where has the \$2,500 million gone?

I am sure that the technology that has been so well pursued in the food industry has had its merit. I must however conclude that I doubt they have been so far remiss in their financial calculations that they needed \$2,500 million additional income in 1 year.

All of my figures support—and everyone else's seems to indicate—that the retail prices have not gone down at least not appreciably.

There is agreement that we need to determine the answers to questions such as these.

The one question that I have is this: Mr. Long, I believe you are the only representative representing a livestock commission firm to appear in behalf of this legislation. I would like your comments as to what the feelings are of the other commission people in regard to establishing such a Commission.

Mr. LONG. The livestock marketing organizations are very much in favor of this type of investigation. We feel that the question of elimination of competition in the industry is showing even in our marketing area. That is something that needs to be looked into. We think that we see enough evidence to warrant such a thorough investigation. We have our own ideas, but I think, without very much contradiction, the majority of our associates in this field, in this co-operative field—the general livestock markets in the country—are almost unanimously in favor of this type of an investigation and are concerned.

Mr. OLSON. Thank you.

Mr. POAGE. Thank you, Mr. Olson.

Mr. Latta.

Mr. LATTI. No questions.

Mr. POAGE. Thank you.

Does anybody want to ask any more questions?

Mr. SHORT. There is one question. I think this is rather an important one. I would like to ask Mr. Shuman and Mr. McDonald this question: Do you think, Mr. Shuman, that to wait until 1966 is too long a time? I will put it this way. Do you think that much time is necessary for this Commission to complete its study?

Mr. SHUMAN. I do not think it is necessary to give them that much time. It is rather customary when you get the work done to make the report. I think this can be done before. They can get the answers before July of 1966.

Mr. SHORT. Mr. McDonald.

Mr. McDONALD. Mr. Short, I call your attention to the resolution adopted by the executive committee a few days ago in which they endorsed Mr. Cooley's bill as is. As to what length of time is necessary, I am unqualified to say, but, apparently, the National Farmers Union feels that the bill in its present form is OK.

Mr. SHORT. In this situation, particularly with regard to beef, it is rather critical and inasmuch as it, also, seems to me that a lot of this information is readily available with hearings going on now on the Senate side, that will develop some of the information, I would assume, at least, that will be pertinent to the work of this Commission and it would seem that the sooner a thorough report could be made by this Commission the more desirable it would be to do so.

Mr. McDONALD. We would, certainly, agree with that last thought that the investigation get on as speedily as possible.

Mr. SHORT. Thank you. That is all.

Mr. POAGE. Thank you, Mr. Short.

Mr. Findley.

Mr. FINDLEY. There is just one question that I would like to direct to Mr. Shuman: Do you think it would be wise to include among the duties of the Commission the effect of Government programs on the cost and quality of food to processors and consumers?

Mr. SHUMAN. Well, I think, again, as someone said before, I do not think that the Commission should be limited or confined so that it could not take into consideration that subject. It seems to me that they will have to give consideration to that point.

On the other hand, I do not think that we should worry as to the specific nature, because before 1966, we, probably, will have more general recognition than there is now at the present time that these Government programs should be gone into.

Mr. FINDLEY. Thank you.

Mr. POAGE. Thank you.

Are those all of the questions?

The Chair wants to announce that tomorrow morning, probably, after we have heard from Mr. Rosenthal and the others, and perhaps, before we have heard from some of the other witnesses that the Maid of Cotton will be our guest.

We will stand in recess when she arrives for her to have an opportunity to be presented.

The committee will stand in recess now until 10 o'clock in the morning.

(Whereupon, at 12 noon the committee adjourned to reconvene at 10 a.m., Thursday, May 7, 1964.)

NATIONAL COMMISSION ON FOOD MARKETING

THURSDAY, MAY 7, 1964

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m. in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage presiding.

Present: Representatives Poage, Gathings, Jones of Missouri, Matthews, Harding, Rosenthal, Olson, Leggett, Matsunaga, Hoeven, Dague, Belcher, Teague of California, Quie, Short, Findley, Dole, Beermann, and Hutchinson.

Also present: Betty Prezioso, staff; Hyde H. Murray, assistant clerk; John Heimbürger, counsel; and Robert Bruce, assistant counsel.

Mr. POAGE. The committee will please come to order.

Our first witness as listed is Mr. Rosenthal, a member of this committee, who is the sponsor of House Joint Resolution 980. Mr. Rosenthal is present and ready to testify but I was wondering, Mr. Rosenthal, if you would be willing to let Mr. Roosevelt precede you since you will be here and he has other engagements.

Mr. ROSENTHAL. I will be very happy to do that.

Mr. POAGE. We will now hear from our colleague, Mr. Roosevelt.

STATEMENT OF HON. JAMES ROOSEVELT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. ROOSEVELT. Thank you, Mr. Chairman and members of the committee.

I want particularly to thank my colleague, Mr. Rosenthal, for being so kind as to allow me to go first. If it was not for the pressure of other business, I certainly would not ask him to defer, but I am certainly very grateful to him for doing so.

I want to express to you my appreciation for this opportunity to appear as a proponent of House Joint Resolution 977. I consider it an honor to join with you, Mr. Chairman, and others in sponsoring this resolution to establish a National Commission on Food Marketing.

The problems of the food industry affect all of us. Farmers, as the producers of the Nation's food, are naturally vitally interested in the marketing process through which their crops travel to the ultimate user.

Consumers are concerned because their food requirements are one of the central items of their daily budget. The increasing economic concentration and integration taking place in some portions of the industry has had substantial impact upon the Nation's small business

community, which I have been vitally interested in for a great many years, as I assume you know, Mr. Chairman.

Additionally, as one of the basic industries of our entire economy, there is a broad public interest in the continuance of an expanding and prosperous farm and food industry in which the forces of competition function in an unhampered and efficient manner.

The farmer's share of the food dollar continues to decrease, as we all know. From the consumer's point of view this may be expressed in terms of the increasing spread between the price to the producer and the cost to the consumer.

Since the committee has many witnesses to hear, I shall not set forth the many specific examples of this situation which have come to the attention of my Distribution Subcommittee of the Small Business Committee, of which I have the privilege to be chairman, as a result of the several series of hearings we have held and the complaints we have received concerning various segments of the food industry.

Here are a number of hearings and reports published by our committee in the last several years on various problems in the food industry, which I would like to leave with you.

Mr. POAGE. We will be delighted to receive them.

(The bound volumes will be found in the files of the committee.)

Mr. ROOSEVELT. These are only part of the hearings on food industry problems which we have held recently. Many of the reports are out of stock because of the heavy demand for them.

To further illustrate the point, I would also like to submit for the record a letter I have received from Mr. Charles Paul, director of the Department of Agriculture for the State of California, together with two cost and margin surveys prepared by the staff of the department and the resolution under which the survey is being conducted.

If I may, I would like to have the letter included after my testimony and simply leave the cost margin survey as an exhibit with the committee.

Mr. POAGE. Without objection, that will be done.

Mr. ROOSEVELT. Thompson seedless grapes are the commodity covered by this survey, which reveals that only 20 percent of the cost to the consumer was received by the producer of the grapes. The other 80 percent went to pay for other distributive functions—and since the goods studied in this survey were both grown and marketed in California, it is obvious that transportation costs were minimal.

Similar analyses of eight other fruits and nine vegetables are also currently being conducted by the California Department of Agriculture, and if these will be of any assistance to the committee at a later date, I will be happy to furnish them.

My Small Business Subcommittee has conducted extensive studies on the effect of integration and increasing economic concentration in the food industry. We have found grave cause for alarm in the meat, poultry, fruit, and vegetable sectors of the industry and have discovered that an increasing share of the market is concentrated in the hands of a small number of large chainstores. Here again, rather than take the time of the committee with details, I would like to submit for the record the recommendations and conclusions of the Small Business Committee for the 87th Congress concerning this matter.

I would ask that that be included at the end of my testimony.

Mr. POAGE. Without objection, that may be done.

Mr. ROOSEVELT. I am not one of those who regard the demise of the family farm as imminent. I feel our smaller farmers have much to contribute to the Nation's economy. In fact, I suspect they will survive many of those who continue to plan for their early departure. We must, however, ask ourselves how much longer they can withstand the kind of market power which has recently seen the price to the producer on a thousand-pound prime steer decrease by approximately \$100, while the price to the consumer went up almost the same amount.

There are also serious antitrust problems in the food industry. Predatory practices on the part of some of the larger companies have become all too prevalent.

I would like to submit a list of 30 recent cases before the courts and the Federal Trade Commission involving bid rigging, price fixing, price discrimination, mergers causing increased concentration, and similar practices by firms in the food industry.

I would like to submit this list for the record at this time without, of course, saying that simply because of the filing of a case it does not mean that there is guilt, but it indicates that there is a problem which is certainly a large and extensive one and if I may, as I say, at this time I would like to submit that for the record.

Mr. POAGE. You may.

Mr. ROOSEVELT. It is almost redundant for me to urge you, Mr. Chairman, together with the members of your committee, to act favorably upon this joint resolution. I know that you are acutely aware of the necessity for such a study. The prosperity of the agricultural sector of our economy, the preservation of competition, a square deal for the consumer, an opportunity for small businessmen to compete—these, Mr. Chairman, are the goals which will be furthered by the passage of House Joint Resolution 977.

And I hope, therefore, Mr. Chairman, that this will be reported unanimously and that the results of the survey and of the investigation when completed may point the way toward whatever legislation, if any, seems indicated as a method of solving some of the problems which, undoubtedly, are growing at a very alarming rate today.

Thank you, Mr. Chairman.

(The letter dated April 30, 1964, the tabulation entitled "Cost Margins Survey," the document entitled "Extract From the Minutes of the California State Board of Agriculture Meeting of January 21, 1963," pp. 115, 116, and 117 of the final report of the Committee on Small Business, and the listing of cases follow:)

STATE OF CALIFORNIA DEPARTMENT OF AGRICULTURE,
Sacramento, April 30, 1964.

HON. JAMES ROOSEVELT,
Member of Congress,
House Office Building, Washington, D.C.

DEAR MR. ROOSEVELT: This is written in response to a call from Mr. Gregg Potvin concerning any information we may have with respect to the price spread between the farmer and the consumer on commodities important to California's economy. At the moment, we have some preliminary information which we hope may be of some help to you.

A cost and margins survey was held for a short period of time, specifically the latter half of September 1963, in the Sacramento area, the San Francisco-Oakland Bay area, and in Los Angeles. There was a total of 17 commodities observed, 8 of which are fruits and 9 are vegetables. The fruits under study are apples, cantaloups, grapes, nectarines, oranges, peaches, plums, and watermelons. The vegetables under study are carrots, celery, lettuce, potatoes, squash, sweet potatoes, tomatoes, and yams.

Enclosed are three copies each of two preliminary summary tables of price spreads on Thompson seedless grapes and head lettuce. The summaries on lettuce are the same on both tables.

The summaries are different on Thompson seedless grapes beginning with column 11 and ending with column 16. In preliminary summary No. 1, a constant figure was used in column 13 with respect to the producer price. In preliminary summary No. 2, a constant figure was used for packing charges for Thompson seedless grapes resulting in a different figure for column 11, which includes such packing charges as well as other costs, and thereby affects the data in columns 12 through 16.

Column 2 of the enclosed tables shows the approximate loss per container at the retail store level. Column 3 shows the price paid by consumers for the total contents of the container on a per pound or per unit basis.

Column 4 shows the retail spread in dollars between the retail price at which the commodity was sold to the consumer and the wholesale level price at which the retail store purchased the commodity, the wholesale level price being shown in column 6. Column 5 indicates the percentage that the retail spread, as shown in column 4, is of the retail price as shown in column 3.

Column 7 shows in dollars the shipping point to retail spread; that is, the difference between the wholesale level price shown in column 6 and the f.o.b. shipping point price shown in column 9. Column 8 indicates this spread as a percentage of the retail price shown in column 3.

Column 10 indicates the share the shipper obtained at f.o.b. shipping point as a percentage of the retail price to the consumer, or in other words, the percentage that column 9 is of column 3.

Column 11 shows the shipping point-to-producer spread, which is the cost in dollars of packing, handling, selling, etc. of the commodity from the time it leaves the field, vine, or trees until it is sold at shipping point. Column 12 shows this same spread as a percent of retail.

Column 13 is the price the producer received for the commodity in graded form after the culls were taken out and discarded or sent to byproduct uses. Column 14 is the percentage that the producer price, as shown in column 13, is of the retail price shown in column 3.

In preliminary summary No. 1, a fixed producer price of 94 cents per 27-pound lug box was used for Thompson seedless grapes and then column 13 was subtracted from column 9 to give us column 11. In preliminary summary No. 2, a 95-cent figure was used as the packing charge for Thompson seedless grapes, and then other costs, such as the commission for selling, were included to determine the figure in column 11. This was then subtracted from column 9, the shipping point price, to give us the producer price in column 13.

It is believed that preliminary summary No. 2 is probably more accurate for the 2-week period of the study because of a sudden increase in price on Thompson seedless grapes in the Los Angeles market because of an unexpected rain in the San Joaquin Valley, which tended to reduce supplies and thereby raise prices. However, for the season as a whole, it is believed that preliminary summary No. 1 might be more accurate because the 94-cent price to the growers appears to be a return more nearly in line with actual conditions.

Column 13 indicates an unusually low producer price for lettuce. Apparently this was a period of low price to the producer and is not necessarily indicative of the season as a whole.

The only other commodity we have summarized in preliminary form is plums. The information is limited because it was near the end of the plum season.

However, our figures indicate that the producer received about 20 percent of the retail price, while nearly 80 percent was received for the other functions between the producer and the consumer.

We believe that the figures on the accompanying tables are reasonably representative for the period under study. However, we would hasten to caution that since this study was for a relatively short period of time, it might not be too representative of the year as a whole.

As discussed with Mr. Potvin, also enclosed for your information are one copy each of extracts from the minutes of the meetings of the California State Board of Agriculture for August 20, 1962, December 7, 1962, January 21, 1963, and March 18, 1963.

Sincerely yours,

CHARLES PAUL, *Director.*

Cost and margins survey

PRELIMINARY SUMMARY NO. 1

Area and type of store	Loss, per- cent	Retail price to con- sumer	Retail spread		Whole- sale level price, dollars	Shipping point- retail spread		Price to shipper (f.o.b. shipping point)	Shipper share of retail price, percent	Shipping point- producer spread		Producer price, dollars	Producer share of retail price, percent	Total spread (pro- ducer to consumer)	
			Dollars	Percent		Dollars	Percent of retail			Dollars	Percent of retail			Dollars	Percent of retail
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Thompson seedless grapes: 1															
Sacramento.....	8.2	\$3.94	\$1.26	32.0	\$2.68	\$0.77	19.5	\$1.91	48.5	\$0.97	24.6	\$0.94	23.9	\$3.00	76.1
Chains.....	9.3	4.34	1.57	36.2	2.77	.38	17.5	2.39	55.1	1.45	33.4	.94	21.7	3.40	78.3
Independents.....	8.0	3.86	1.20	31.1	2.66	.85	22.0	1.81	46.9	.87	22.5	.94	24.4	2.92	75.6
Bay area 2	6.3	4.52	1.61	35.6	2.91	.33	7.3	2.58	57.1	1.64	36.3	.94	20.8	3.58	79.2
Los Angeles.....	3.6	5.58	2.39	42.8	3.19	.56	10.0	2.63	47.1	1.69	30.3	.94	16.8	4.64	83.2
Chains.....	1.5	5.10	2.26	44.3	2.84	.47	9.2	2.37	46.5	1.43	28.0	.94	18.4	4.16	81.6
Independents.....	6.2	6.47	2.64	40.1	3.83	.72	11.1	3.11	48.1	2.17	33.5	.94	14.5	5.53	85.5
All chains.....	4.4	4.77	1.90	39.8	2.87	.40	8.4	2.47	51.8	1.53	32.1	.94	19.7	3.83	80.3
All independents.....	7.1	5.00	1.83	36.6	3.17	.79	15.8	2.38	47.6	1.44	28.8	.94	18.8	4.06	81.2
All California.....	5.5	4.85	1.87	38.6	2.98	.54	11.1	2.44	50.3	1.50	30.9	.94	19.4	3.91	80.6
Head lettuce: 3															
Sacramento.....	7.8	3.34	1.39	41.6	1.95	.69	20.7	1.26	37.7	.85	25.4	.41	12.3	2.93	87.7
Chains.....	8.8	3.87	2.11	54.5	1.76	.49	12.7	1.27	32.8	.85	22.0	.42	10.9	3.45	89.1
Independents.....	7.4	3.16	1.15	36.4	2.01	.75	23.7	1.26	39.9	.85	26.9	.41	13.0	2.75	87.0
Bay area 2	6.8	3.99	2.29	57.4	1.70	.39	9.8	1.31	32.8	.85	21.3	.46	11.5	3.53	88.5
Los Angeles.....	1.4	5.08	2.92	57.4	2.16	.76	15.0	1.40	27.6	.85	16.7	.55	10.8	4.53	89.2
Chains.....	.5	5.54	3.34	60.3	2.20	.71	12.8	1.49	26.9	.85	15.3	.64	11.6	4.90	88.4
Independents.....	2.7	4.43	2.33	52.6	2.10	.83	18.7	1.27	28.7	.85	19.2	.42	9.5	4.01	90.5
All chains.....	5.3	4.48	2.60	58.0	1.88	.52	11.6	1.36	30.4	.85	19.0	.51	11.4	3.97	88.6
All independents.....	6.3	3.46	1.43	41.3	2.03	.77	22.3	1.26	36.4	.85	24.6	.41	11.8	3.05	88.2
All California.....	5.8	3.97	2.01	50.6	1.96	.65	16.4	1.31	33.0	.85	21.4	.46	11.6	3.51	88.4

See footnotes at end of table, p. 100.

Cost and margins survey—Continued

PRELIMINARY SUMMARY NO. 2

Area and type of store (1)	Loss, per- cent (2)	Retail price to con- sumer (3)	Retail spread (4)		Whole- sale level price dollars (6)	Shipping point- retail spread (7)		Price to shipper (f.o.b. shipping point) (9)	Shipper share of retail price, percent (10)	Shipping point- producer spread (11)		Producer price, dollars (13)	Producer share of retail price, percent (14)	Total spread (pro- ducer to consumer) (15)		Percent of retail (16)
			Dollars	Percent		Dollars	Percent of retail			Dollars	Percent of retail					
Thompson seedless grapes: ¹																
Sacramento.....	8.2	\$3.94	\$1.26	32.0	\$2.68	\$0.77	19.5	\$1.91	48.5	\$1.14	28.9	\$0.77	19.5	\$3.17	80.5	
Chains.....	9.3	4.34	1.57	36.2	2.77	.38	17.5	2.39	55.1	1.19	27.4	1.20	27.6	3.14	72.4	
Independents.....	8.0	3.86	1.20	31.1	2.66	.85	22.0	1.81	46.9	1.13	29.3	.68	17.6	3.18	82.4	
Bay area ²	6.3	4.52	1.61	35.6	2.91	.33	7.3	2.58	57.1	1.21	26.8	1.37	30.3	3.15	69.7	
Los Angeles.....	3.6	5.58	2.39	42.8	3.19	.56	10.0	2.63	47.1	1.21	21.7	1.42	25.4	4.16	74.6	
Chains.....	1.5	5.10	2.26	44.3	2.84	.47	9.2	2.37	46.5	1.19	23.3	1.18	23.1	3.92	76.9	
Independents.....	6.2	6.47	2.64	40.1	3.83	.72	11.1	3.11	48.1	1.26	19.5	1.85	28.6	4.62	71.4	
All chains.....	4.4	4.77	1.90	39.8	2.87	.40	8.4	2.47	51.8	1.20	25.2	1.27	26.6	3.50	73.4	
All independents.....	7.1	5.00	1.83	36.6	3.17	.79	15.8	2.38	47.6	1.19	23.8	1.19	23.8	3.81	76.2	
All California.....	5.5	4.85	1.87	38.6	2.98	.54	11.1	2.44	50.3	1.19	24.5	1.25	25.8	3.60	74.2	
Head lettuce: ³																
Sacramento.....	7.8	3.34	1.39	41.6	1.95	.69	20.7	1.26	37.7	.85	25.4	.41	12.3	2.93	87.7	
Chains.....	8.8	3.87	2.11	54.5	1.76	.49	12.7	1.27	32.8	.85	22.0	.42	10.9	3.45	89.1	
Independents.....	7.4	3.16	1.15	36.4	2.01	.75	23.7	1.26	39.9	.85	26.9	.41	13.0	2.75	87.0	
Bay area ²	6.8	3.99	2.29	57.4	1.70	.39	8.8	1.31	32.8	.85	21.3	.46	11.5	3.53	88.5	
Los Angeles.....	1.4	5.08	2.92	57.4	2.16	.76	15.0	1.40	27.6	.85	16.7	.55	10.8	4.53	89.2	
Chains.....	.5	5.54	3.34	60.3	2.20	.71	12.8	1.49	26.9	.85	15.3	.64	11.6	4.90	88.4	
Independents.....	2.7	4.43	2.33	52.6	2.10	.82	18.7	1.27	28.7	.85	19.2	.42	9.5	4.01	90.5	
All chains.....	5.3	4.48	2.60	58.0	1.88	.52	11.6	1.36	30.4	.85	19.0	.51	11.4	4.01	88.6	
All independents.....	6.3	3.46	1.43	41.3	2.03	.77	22.3	1.26	36.4	.85	24.6	.41	11.8	3.95	88.2	
All California.....	5.8	3.97	2.01	50.6	1.96	.65	16.4	1.31	33.0	.85	21.4	.46	11.6	3.51	88.4	

¹ Figures based on container averaging 27.2 pounds.² Chains, identical to bay area; independents, none.³ Figures based on a 2-dozen-head crate.

EXTRACT FROM THE MINUTES OF THE CALIFORNIA STATE BOARD OF AGRICULTURE
MEETING OF JANUARY 21, 1963

"PERISHABLE FRUIT AND VEGETABLE MARGINS COMMITTEE

"Chairman Kovacevich reported that he had checked with various segments of agriculture as to their feelings in regard to the proposed study of the spread between farm prices and consumer prices. All those contacted were in favor of the study.

"A list of the commodities for survey has yet to be determined.

"Mr. Steinberg suggested it should be a 12-month survey—from May to May—to provide a round-the-clock study of spring, winter, and fall crops of the same category.

"Mr. Kovacevich agreed that it should be a 12-month survey. However, because of the freeze damage this year he believed a starting date of June would give a truer picture.

"Director Paul stated Mr. Kuhrt had done some research in the matter and that he believed the survey could be handled reasonably well with the present personnel and within the department's budget.

"The following resolution was moved by Mr. Kovacevich, seconded by Mr. Herrington, and carried:

"Whereas it has come to the attention of the California State Board of Agriculture that in the marketing of fresh fruits and vegetables the producer share of the consumer price is declining, with resultant hardship upon producers; and

"Whereas price declines to producers are often not reflected in consumer prices, and price increases are generally reflected promptly in producer prices; and

"Whereas current accurate data on the spreads between the farm price and the consumer price are not available: Now, therefore, be it

Resolved, That the California State Board of Agriculture, meeting in Sacramento, on January 21, 1963, hereby requests the director of agriculture and appropriate staff members to make a study of the spread between farm prices and consumer prices for fruits and vegetables during 1963, commencing in the month of June, such study to be based on actual price situations rather than average prices and margins."

EXTRACTS FROM THE FINAL REPORT OF THE COMMITTEE ON SMALL BUSINESS

3. It is recommended that the Packers and Stockyards Act of 1961 be amended to strengthen independent competition in the sale of meat and meat products by making it unlawful for packers and retailers to integrate their functions in the processing and the marketing of meat and meat food products in excess of an aggregate annual volume where competition would be adversely affected by the integration of such functions.

Since the issuance of the meatpacking decree of 1920, the principle has been well established that the large packers may not vertically integrate "downward" into retailing. The provisions of this decree have served the public interest well in curbing this threat to competitive markets. In recent years, however, large retail food chainstores have been integrating "upward" into the feeding, slaughtering, and preparing of livestock. Many small, independent businesses are being destroyed in this process.

Representative James Roosevelt, chairman of Subcommittee No. 5, introduced H.R. 10392 to protect these small businesses by preventing further integration of the functions of packers and retailers.

Testimony adduced at hearings and continuing investigations have fully established the necessity for this legislation. Large packing concerns continue to strain for rescision of the 1920 decree; the giant food chains continue to enlarge their slaughtering operations. The independent meatpacker is caught in a pincer between the two.

4. It is recommended that the Federal Trade Commission Act be amended to prohibit vertical integration in the food industry where the integration of the functions of processing, wholesaling, and retailing of food would have the effect of substantially lessening competition or tending to create a monopoly in any line of commerce.

As a result of extensive hearings held during the 86th Congress and continuing investigations during the 87th Congress respecting small business problems in food distribution, it was found—

- (1) That the 10 largest chain food stores in this country account for almost 30 percent of all U.S. food sales; and
- (2) That the three largest chain food stores in this country account for approximately 47 percent of the total of all chain food store sales;
- (3) That there is evidence that, if left unchecked, a decreasing number of food stores will obtain an increasing share of the market; and
- (4) That retail chain food stores have so vertically integrated their operations that they are now engaged in business at every stage—from control of the basic foodstuff or related commodity, through its manufacture, processing, or other preparation, to its retail sale to the consumer; and
- (5) That as a result of this vertical integration, many independent operators of businesses at all levels of the food industry have been eliminated.

The committee feels that, as shown by these facts, vertical integration of the food industry is developing at a rate destructive to free competition. To permit this development to continue unchecked would be to deny the economic principles upon which the antitrust laws are based.

This measure will make it unlawful and an unfair act and practice in commerce within the meaning of section 5 of the Federal Trade Commission Act, for any person, partnership, or corporation engaged in the retail sale of merchandise through food or grocery stores, in or affecting commerce, to engage in the manufacturing, processing, or preparation of any food or related merchandise for sale through food or grocery stores, where the effect of the integration of the retailing of such merchandise with such manufacturing, processing, or preparation may be to substantially lessen competition or to tend to create a monopoly in any line of commerce.

5. It is recommended that legislation be enacted to provide for prenotification of proposed mergers of firms within the jurisdiction of the Federal Trade Commission by giving to the Federal Trade Commission and to the Antitrust Division of the Department of Justice notice of and information concerning the proposed mergers before they are consummated.

6. The Department of Justice and the Federal Trade Commission should determine whether contract growing of poultry is diminishing through the cooperative and voluntary efforts of the various segments of the broiler industry. If it is found that the practice is not diminishing, the Department of Justice and the Federal Trade Commission should actively investigate, under the antitrust laws, the legality of the contract growing of poultry.

Every effort should be made to do away with contract growing. If possible, this should be attempted through the cooperative efforts of the various segments of the broiler industry. Farm organizations and the U.S. Department of Agriculture should actively assist such voluntary measures. If this proves impossible, however, the Department of Justice and the Federal Trade Commission should actively investigate the legality of contract growing under the antitrust laws.

Under section 3 of the Clayton Act, tying contracts, full-line forcing, and exclusive dealing arrangements are illegal if they substantially lessen competition or tend to create a monopoly. Broiler-growing contracts contain provisions similar in function to these prohibited practices. For example, requiring a grower to patronize a particular hatchery or processor could be said to approximate a form of full-line forcing or exclusive dealing if the contractor owns either of the businesses. A requirement to use only a designated type of feed and chick might be considered a tying arrangement or full-line forcing. Similarly, restriction on the use of feed by a grower could possibly be deemed an illegal exclusive dealing practice under the theory of *Standard Oil of California v. United States* (337 U.S. 293 (1949)), particularly since there appears to be a trend toward greater concentration in broiler-growing operations. Finally, contract growing might be found to run afoul of section 5 of the Federal Trade Commission Act where unfair methods of competition are declared invalid. The reasoning enunciated in *Federal Trade Commission v. Motion Picture Advertising Service Co.* (344 U.S. 392 (1953)) might be considered applicable here.

(a) The Department of Justice and the Federal Trade Commission should examine the operations of food chainstores to ascertain whether unlawful buying practices of poultry exist.

LIST OF CASES INVOLVING PRICE RIGGING, PRICE DISCRIMINATION, PRICE FIXING,
AND SIMILAR PRACTICES

- Central Arkansas Milk Producers Association, Inc.* (FTC Docket 8391). Respondent guilty of unlawfully coercing processing plants.
- Bakers of Washington, Inc.* (FTC Docket 8309, 1962). Respondent trade association guilty of price fixing.
- Washington Crab Association* (FTC Docket 7859, 1963). Association guilty of unlawfully restraining competition.
- National Macaroni Manufacturers Association* (FTC Docket 8524, 1963). Members had violated section 5 of Federal Trade Commission Act by concerted action resulting in a per se illegal effort on prices.
- U.S. v. Carnation Co. of Washington*. Civil damage action for alleged bid rigging.
- U.S. v. H. P. Hood & Sons, Inc.* Civil double damage suit alleging bid rigging.
- U.S. v. H. P. Hood & Sons, Inc.* Indictment charging attempt to drive milk dealers out of business.
- U.S. v. H. E. Koontz Creamery, Inc.* Companion criminal and civil actions alleging conspiracy to fix prices and eliminate competition in the sale of milk.
- Carvel Corp.* (FTC Docket 8574, 1963). Alleged restrictive soft ice cream.
- North Texas Produce Association v. Young*. 308 F. 2d 235 (5th Cir. 1962). Affirmed a district court judgment based on Sherman Act, sections 1 and 2.
- Swift & Co. v. U.S.* (7th Cir. 1963). Upheld a Department of Agriculture judicial officer's ruling that Swift discriminated in the sale price of hams to competing customers.
- National Tea Co.* (FTC Docket 7453, 1963). Dismissed charges that National had violated section 7 of the Clayton Act by acquiring 23 concerns subsequent to December 29, 1950.
- National Dairy Products Corp.* (FTC Docket 6651, 1963). Consent orders prohibited future acquisitions.
- Consolidated Foods Corp.* (FTC Docket 7000, 1962). Divestiture case resulting from conglomerate merger.
- Borden Co.* (FTC Docket 7129, 1962). Price discrimination.
- Borden Co.* (FTC Docket 7474, 1962). Area price discriminations.
- Pacific Molasses Co.* (FTC Docket 7462, 1963). Guilty of price discriminations.
- Foremost Dairies, Inc.* (FTC Docket 7475, 1963). Price discrimination.
- U.S. v. National Dairy Products Corp.* 372 U.S. 29 (1963). Selling milk in certain markets "at unreasonably low prices for the purposes of destroying competition."
- Hruby* (FTC Docket 8068, 1963). Unlawful brokerage or discounts.
- Flotill Products, Inc.* (FTC Docket 7226, 1963). Hearing examiner ordered respondent, a canner of fruits and vegetables, to stop paying illegal brokerage and discriminating among customers.
- Exchange Distributing Co.* (FTC docket 8061, 1962). Wholesale distributor of citrus fruit, vegetables, and produce was ordered to stop accepting illegal allowances.
- Dixie-Central Produce Co.* (FTC docket 8475, 1962). Food wholesaler was ordered by the FTC to stop accepting illegal brokerage.
- Western Fruit Growers Sales Co.* (FTC docket 8194). The FTC adopted an initial decision ordering a citrus fruit distributor to stop paying unlawful brokerage.
- J. A. Folger Co.* (FTC docket 8094, 1962). Granting discriminatory promotional payments.
- Fred Meyer, Inc.* (FTC docket 7492, 1963). Supermarket chain violated Robinson-Patman Act by inducing suppliers to grant discriminatory price concessions and promotional payments.
- Foremost Dairies, Inc.* (FTC docket 7475, 1963). Local price discriminations.
- North Texas Producers Association v. Young* (5th circuit 1962). Group boycotts and individual refusals to deal.
- U.S. v. Ward Baking Company* (M.D.F.). Consent judgment prohibiting collusive or rigged bids to Government. In companion case one firm was convicted criminally.
- U.S. v. San Diego Grocers Association, Inc.* (S.D.C., 1962). Agreement held to be fixing of prices in violation of Sherman Act.

Mr. POAGE. Thank you very much, Mr. Roosevelt. I just wonder if you would comment on one of the features on which the committee must make a decision. I will put it to you generally. We need some of this kind of study, but one of the questions that has been raised is, is there any reason for delaying the action so long as this resolution seems to contemplate? That is till July of 1966? Personally, I think that this Commission might give us a report next year—probably a year earlier than the time contemplated in the resolution.

Do you think that that is correct?

Mr. ROOSEVELT. I would simply say that there seems to me to be no reason why, at least, some of the important phases should not be completed long before 1966. If they do not completely finish the job, perhaps, then it would be well to let them continue through 1966 with a second report, but I would agree with you that I would like to see them make every effort and, I think be instructed to make, at least a first report long before 1966.

Mr. POAGE. It is contemplated to ask for \$2.5 million for the study. I should like to know whether a smaller amount would do. Obviously, the longer the Commission is going to be in operation, the greater the expense. I know that a figure of \$250,000 has been suggested. I know, however, that some of the Members of Congress have suggested that it should be as little as \$40,000. I think this is far too small, but perhaps a less sum would be adequate. What is your idea as to the amount of the funds that should be authorized?

Mr. ROOSEVELT. Mr. Chairman, it is a very broad field and, certainly, to do a comprehensive job is of the utmost importance. If they do not do a comprehensive job it may well be that some important facts might be available which would not have been covered and, therefore, the report and proposal might be attacked on the ground that the study had not been comprehensive enough.

On the other hand, Mr. Chairman, I would agree that I can think of no congressional committee that could not function rather effectively, on such a budget, particularly if you give this Commission the powers with which it can effectively do the job—and it would seem to me that a congressional committee having that amount of money would be able to do one whale of a job. I am for economy, believe it or not, and I would see no reason why we should not start them with somewhat less money and then if they need more money there is nothing to preclude them from coming back and making a case in a supplemental request.

Mr. POAGE. Thank you very much.

Mr. Hoeven.

Mr. HOEVEN. I concur with the chairman in expressing the feeling of our committee, that we should, at least, have an interim report and a final report. The longer an investigation of this kind continues the more money will be spent. You very well know, Mr. Roosevelt, that most Members of Congress are economy minded and the proposed expenditure of \$2,500,000 will run into trouble. So I suggest we cut down on the authorization and have an interim report and a final report.

Mr. ROOSEVELT. I would completely agree with you.

Mr. HOEVEN. There has been some concern expressed by some committee members as to the need of subpoena power. I ventured the suggestion on yesterday that I did not not think any responsible organiza-

tion or group would fail to comply with the request of the Commission to furnish such data and information the Commission desired.

Do you think that subpoena power would be necessary in this kind of an investigation?

MR. ROOSEVELT. Mr. Chairman, if I can just give you a personal experience on that subject: We made an attempt to hold a comprehensive investigation of processors within the canning industry as it reflected the buying services in San Francisco, Calif., and there, for a number of reasons which I think are understandable, it was almost impossible for us to get witnesses to voluntarily come forward, for the simple reason that in many cases they thought that their livelihood depended upon maintaining good will with certain people that they were afraid they might lose if they appeared voluntarily in coming before the committee and reviewing certain practices. Therefore, we had to subpoena them, and even with the power of the subpoena it was very difficult to get all of the story that we wanted to get.

I would feel very strongly, I think, sir, that if you did not grant the power of subpoena that you would not get a complete story. And without the ability to get the complete story I feel that the study would be valueless.

MR. HOEVEN. It has been suggested that under the subpoena power it might even be possible to compel a witness to divulge trade secrets and things like that. You would not go that far; would you?

MR. ROOSEVELT. No, sir; I would not go that far. I do not think it is necessary to go that far. And, of course, I would be greatly surprised if the Commission, the majority of which would be made up of Members of the Congress, from both Houses, would ever take unto itself that kind of practice.

MR. HOEVEN. I agree with you.

MR. POAGE. Thank you, Mr. Hoeven.

MR. MATTHEWS.

MR. MATTHEWS. I have no questions except to tell our colleague how much I have enjoyed his testimony.

MR. ROOSEVELT. Thank you very much.

MR. POAGE. Mr. Teague.

MR. TEAGUE of California. I have no questions, except to thank you for giving us the benefit of your experience.

MR. ROOSEVELT. Thank you, my friend from California.

MR. POAGE. Mr. Rosenthal.

MR. ROSENTHAL. I want to compliment Mr. Roosevelt on his presentation this morning and on his continuing work and effort in this field. He has, certainly, been one of the leaders in trying to find out the problems in the price gap between the farmer and the consumer. We have much confidence in you, and we hope that you will continue your efforts in this area.

MR. ROOSEVELT. I want again to thank Mr. Rosenthal for letting me go on first this morning.

MR. POAGE. Thank you.

MR. HUTCHINSON.

MR. HUTCHINSON. May I ask Mr. Roosevelt this question?

You have filed with the committee a stack of hearings. I understand, by your Small Business Subcommittee, which is about a foot high. Has not a large part of the work of this Commission already been done by your committee?

Mr. ROOSEVELT. Mr. Hutchinson, I would have to say to you that I would like to be able to answer "Yes" because, naturally, it would reflect well on the subcommittee. But our subcommittee operates, in the first place, as a nonlegislative committee, and, second, it operates on a very rather limited budget and we were simply not able to go comprehensively into these matters.

You will find, I think, here in certain areas some very good leads that will, I hope, be of help to the Commission but I would be the last one to claim that in any way it comprehensively went into the subject matter which will be before the proposed Commission.

Mr. HUTCHINSON. Thank you.

Mr. POAGE. Mr. Leggett.

Mr. LEGGETT. I want to compliment my colleague from California for giving leadership to the California delegation on this very important subject matter.

I would like to ask you what kind of recommendation you would anticipate that this Commission might eventually project.

Mr. ROOSEVELT. I think that maybe I had better not answer that too directly. After all, that is going to be the job of the Commission.

Mr. LEGGETT. Obviously, you have been one of the leaders in this subject matter. You have some very clear-cut ideas as to what this Commission might do.

Mr. ROOSEVELT. Let me say, first, that I think, as I said a little bit earlier in my testimony, that I think one of the great areas lies in the antitrust field in order to preserve competition; I think that the basic task is to look at where the control of the market or the market power, as it is sometimes called, results in the ability to use that market power to the detriment of competition in some instances, big firms but in many more instances the little man in the area.

I think, also, it would be fair to say that there are certain practices within the industry which result in certain portions of the industry that we have had the opportunity to look into, being what would be almost a cartel system, if it was operating in Europe. And that these should be looked into, to see what they do to not only eliminate competition, but to drive up the cost to the consumer and to deprive the grower of his fair share, because, really, it seems to me what you are trying to do is to find out why there is this tremendous spread, with one end going down and the other going up. Obviously, the consumer is the loser in that kind of process, and it may well bring about destruction to the producer on his end.

I think another most important factor would be to allay some of, shall I call them fallacies or rumors which one hears all the time as to where, really, the expense lies in the distribution system. Is it because labor is getting too great a share of the cost of raising the food and delivering it to the consumer? If so, we ought to know it for sure and not have it just based upon accusation back and forth. If, on the other hand, it is not so, then I think that we should find out where are the real profits being made.

One of the things which, I think, has always impressed me is, for instance, it is said that the large chains are making a very small margin of profit, let us say 2 percent, sometimes, and maybe less sometimes, and maybe sometimes more, on gross sales, but then it seems to me that sounds like almost nothing at all when you think of it in terms of net

profit, but if you turn around and realize that the chainstores are now in the billions in gross sales and you turn that against a certain number of stockholders who have not changed appreciably in number or the investment has not grown in amount, your net profit is really, it seems to me, a figure that, at least, we should have some knowledge of. We never talk about it in terms of that. We only talk about it in terms of profit on gross sales which continue to go up. This 2 percent must be figured on an ever-mounting volume—an ever-expanding amount of money—who is getting it should be determined, and is it reasonable or unreasonable. These are some of the areas that would seem appropriate for study. The committee may also well want to look into the kind of thing that the chairman and others today have expressed interest in, particularly in those areas of the meat business where there are such complicated factors. I hope and think this Commission may bring information on that which will be helpful.

Mr. POAGE. Thank you.

Mr. Matsunaga.

Mr. MATSUNAGA. No questions.

Mr. POAGE. We are very much obliged to you. There being no more questions, we again thank you and appreciate your being here.

Mr. ROOSEVELT. I appreciate that very much.

Mr. POAGE. Through the courtesy of our colleague, Mr. Rosenthal, we will hear other congressional colleagues before we hear Mr. Rosenthal.

We have many of our colleagues from other committees of Congress here. It seems to me that they should be heard because they have to attend their own committee meetings. We will next call on Mr. Cunningham.

We will be glad to hear from you now.

STATEMENT OF HON. GLENN CUNNINGHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. CUNNINGHAM. Thank you, Mr. Chairman and Mr. Rosenthal. I appreciate your giving me this opportunity to appear before you. My testimony will be very brief.

I have introduced House Joint Resolution 996, a joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer. This is a result of President Johnson's recommendation that such a study be made in his recent agricultural message to the Congress, following which your distinguished chairman introduced the original legislation.

The American food supply and distribution system is the envy of the world. It directly affects every citizen of the United States. It is our Nation's largest industry.

The marketing system for food has changed drastically since the end of World War II, with far-reaching effects on our entire economy. The farmer's share of the consumer food dollar has declined steadily since 1945. During this period we have witnessed the growth of large regional and national marketing firms and increased pressures on small business. The structure of the food industry and business relationships within the food industry have been drastically altered.

As a nation we have marveled at the advances in technology and we have benefited from the services and the conveniences which are now a part of our food marketing system.

Questions have arisen concerning changes which have been taking place and these need to be answered. We need consideration of where we are heading and where we want to go. These questions concern the Nebraska farmer, the housewife, and the entire food marketing industry between them.

We also have a continuing interest in maintaining the best possible kind of food marketing system in the United States. I hope the committee will favorably report this legislation and that all Members of Congress will join in support of it.

Mr. POAGE. Thank you, Mr. Cunningham.

Mr. CUNNINGHAM. I have just one suggestion, Mr. Chairman, for your consideration.

My main committee is Interstate and Foreign Commerce, but I have served for 8 years on the Committee on Post Office and Civil Service and I would not want to have any criticism of the chairman's resolution, or whichever one you report out. I would not want to have any criticism of it made on a minor point.

In House Joint Resolution 977 on page 6, beginning on line 22, section 6, "Administrative Arrangements," it has this wording:

The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an Executive Director and such additional personnel as may be necessary to carry out the functions of the Commission.

I think that that will be subject to criticism by some members of the Post Office and Civil Service Committee. All of these appointees, these employees, will be outside of the Classification Act and we have a little jealous interest in the way employees are engaged in situations such as this and I would only offer the suggestion that you might want to consider a change in the wording to say that the Chairman and the members of the Commission are authorized to select the staff.

I only say that because I would have great confidence in the Chairman, but I would not want this to be subjected to criticism because it gives the Chairman the authority to do that by himself without consultation with other Commission members.

I only offer it for your consideration.

Mr. POAGE. Mr. Cunningham, why is the Civil Service Commission interested in whether the Chairman appoints or whether the employees of this Commission are elected? I can understand why the Civil Service Commission might want to place them all under civil service or something of that kind.

Mr. CUNNINGHAM. No, Mr. Chairman, I did not say the Civil Service Commission—I said the Civil Service Committee.

Mr. POAGE. The committee?

Mr. CUNNINGHAM. The committee has taken no action on it. I happen to be a member of that committee, and I know that they are kind of jealous of how employees are added to the payroll.

Mr. POAGE. Is it the policy of your committee, for instance, that every member must approve every employee? Does it not reach the point where it becomes utterly impossible to administer any agency if you have to have a complete vote on every employee?

Mr. CUNNINGHAM. All of the people under the Classification Act, of course, have to go through the regular civil service procedure. I am only saying—and I will not belabor the point—that I would not want any criticism to come on this good piece of legislation because of this one provision.

Mr. POAGE. I asked you why there might be criticism—does your committee vote on every employee of the committee?

Mr. CUNNINGHAM. Of our staff?

Mr. POAGE. Yes.

Mr. CUNNINGHAM. Yes, sir.

Mr. POAGE. We do not.

Mr. CUNNINGHAM. I just offer what I think is a constructive suggestion that, instead of giving the Chairman alone the right to employ these people, that all members of the Commission be consulted.

Mr. POAGE. How can any organization function if it is of any size? Of course, I can conceive that a small group can do so, but how can an organization of any size function if you have to have all of the members present every time the Chairman has to appoint somebody, or there is somebody to appoint, and the Chairman has to call a meeting of the whole Commission to employ someone? They will have to come in here at the expense of \$100 a day, plus traveling expenses, to determine whether they are going to employ this clerk or that doorkeeper. Is that what you are suggesting?

Mr. CUNNINGHAM. No, sir. No, sir. This is just in the beginning when the Commission is formed when they hire their initial staff. I am only saying that rather than having the Chairman select all of the personnel, that he, in effect, consult with the other members. That is all.

Mr. POAGE. You are saying that when they select their first staff that they do that, but the staff will not all be selected on one day. There will, certainly, be changes from time to time. Certainly, there is no more justification for letting the Chairman name somebody 3 months from now than there is for him to do it now, or to let him do it next year.

Mr. CUNNINGHAM. Well, I would not think they would have to call a meeting.

Mr. POAGE. How do you get the members together if you do not call a meeting?

Mr. CUNNINGHAM. I should think that the Chairman would make the selection and then, perhaps, send a letter to the other members and say, "Would you concur?" It is just a technical thing.

On the Committee on Interstate and Foreign Commerce, of which I am a member, and the Committee on Post Office and Civil Service we do all vote on our committee staff employees.

Mr. POAGE. If it is just technical, it does not mean anything, so why go through the formality? If it does mean something, it seems there is no head to the organization, does it not?

Mr. CUNNINGHAM. I am saying that the Chairman of the Commission would interview these people and select them and then simply have it approved by the remaining members of the Commission. That is all. You can turn it down, and you may well do that. I am a little concerned that there may be some criticism of this and I want this legislation to pass and I just thought that I would mention it.

Mr. POAGE. Thank you.

Mr. BEERMANN.

Mr. BEERMANN. Mr. Cunningham, we could avoid this situation by not naming a consultant, such as Mr. Redlich—this should be avoided.

Mr. CUNNINGHAM. I am not familiar with Mr. Redlich, or that Commission.

Mr. BEERMANN. If you recall it, it might be helpful.

Mr. POAGE. Thank you.

Mr. FINDLEY.

Mr. FINDLEY. Mr. Cunningham, I introduced a resolution which does have some differences. You drew attention to section 6 on the administrative arrangements. In my resolution, for example, I have provided that anyone appointed to the staff to receive compensation up to GS-18 would be under the Classified Act, as amended.

As a member of the Post Office and Civil Service Committee, do you think that my suggestion is a reasonable one?

Mr. CUNNINGHAM. I would think so. GS-18 is a well-paying job. It is a supergrade. There is a possibility that even that salary as it presently exists will be increased and I am sure that you can get very capable people and, so far as GS-18 is concerned, very good people.

Mr. FINDLEY. Thank you.

Mr. POAGE. Thank you, Mr. Findley.

Are there any further questions?

Mr. OLSON.

Mr. OLSON. The chairman's resolution, House Joint Resolution 977, also provides that there shall be no member of the Commission paid in excess of GS-18.

Mr. FINDLEY. Thank you.

Mr. POAGE. It provides that on page 7.

Thank you, Mr. Cunningham.

Mr. CUNNINGHAM. Thank you, Mr. Chairman, and members of the committee.

Mr. POAGE. We have with us the Maid of Cotton, Miss Carolyn Adair.

The committee will be delighted to have her presented. We announced before that when the Maid of Cotton was here the committee would stand in recess. We shall do so now.

(Brief recess.)

Mr. POAGE. The committee will come to order.

We will hear our colleague now, Mr. Kastenmeier before Mr. Rosenthal presents his statement.

STATEMENT OF HON. ROBERT W. KASTENMEIER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. KASTENMEIER. Mr. Chairman and members of the committee, I appreciate the fact that Mr. Rosenthal and the other members of the committee have allowed me to precede them.

My cosponsorship of this resolution grows out of my earlier sponsorship of a similar measure, House Joint Resolution 974, which was referred to the Judiciary Committee.

Unlike House Joint Resolution 977, House Joint Resolution 974 designated 5 officers of the executive branch, or their delegates, to

serve on the Commission with the 10 congressional members. These included the Secretaries of Agriculture and Commerce, the Attorney General, the Chairman of the Federal Trade Commission, and the President's Adviser on Consumer Affairs.

There was support for this approach among those who felt that inclusion of officers from the principal agencies would allow the Commission to work more quickly and with a smaller in-house staff. However, administration representation was not acceptable to the food distribution industry. House Joint Resolution 977 avoids this difficulty, and also improves on House Joint Resolution 974 by authorizing a significantly broader scope of inquiry.

Since the questions of Commission membership and the scope of its inquiry are the crucial ones at present, I will direct my comments to them.

House Joint Resolution 977 expressly excludes officials of the Federal Government from serving as Presidential appointees on the Commission. By implication, it also casts doubts on the propriety of appointing representatives of farm or industry organizations, because it authorizes the Commission to acquire and use confidential information from private sources. This conflict of interest problem, which I raised at the time I introduced my companion resolution, House Joint Resolution 979, was, I believe, further explored by representatives of the National Farmers' Union yesterday.

Although I would not go so far as to say that there is an insurmountable statutory bar to industry and farm representation, I hope the committee will not be too quick in recommending that the President appoint representatives of directly affected groups. Applicable statutes governing conflicts of interest could, of course, be waived by a special provision in the resolution. Even so, Commission members would be reluctant to fully explore certain types of confidential information where that information would be potentially advantageous to them in their private, competitive, capacities. This would be honorable and understandable, but it would also deprive the Commission of its best collective judgment, and more discretion would be delegated to the staff and congressional members than might be intended or desirable.

On this same point, I would add that it was my understanding at the time the President's message came up that a consensus had been reached, among the interested groups working with the White House, in support of a Commission on which neither farm nor industry organizations would be represented as such.

My last point bears on the scope of the Commission's inquiry. The resolution in its present form outlines a very broad field for investigation. At the same time, it gives the Commission subpoena powers, disregard of which can be punished by contempt proceedings in Federal courts. Since the Commission's authority is comparable to that of a congressional committee conducting an investigation, there should be a corresponding degree of precision in the authorizing resolution.

For example, if the Commission's study is going to embrace the question of differential rates given to large-volume shippers by any portion of the transportation industry, that should probably be more clearly spelled out than it is now under the general and ambiguous heading of "distribution."

Ideally, the Commission should be able to follow all fruitful avenues of investigation, when and if they open up. But these avenues should be foreseen as far as possible, and expressly provided for in the authorization. Otherwise, there may be confusion, or even litigation, over requests for information which are both legitimate and constitutional.

In closing, I would like to say that I would favor particular emphasis on the chainstores in this inquiry. Chainstores are the fastest growing institution in the so-called agri-business complex, and the facet we probably know least about.

In addition, it is the chainstores' market power, whether through acquisition, contract, or sheer leverage in the open market, which almost certainly accounts for much of the horizontal, vertical, and agglomerate expansion now going on at the processor and producer level. In saying this, I do not mean to prejudge the Commission's findings. I am only indicating that these findings will be worth more, and be significant over a longer period of time, if we look hardest at the area which is growing fastest.

Even chainstore representatives who feel that the spread between farm and retail prices is wholly justified and in the longrun interest of the country frankly concede that such a study is needed. Their concern over present trends in agriculture is echoed widely and loudly among producers, processors, and consumers who wonder whether the revolution in food distribution is leading them to the block or to a better world.

Mr. POAGE. Thank you, Mr. Kastenmeier.

Are there any questions of this gentleman?

Mr. Short.

Mr. SHORT. Mr. Kastenmeier, you raised some very appropriate questions in regard to the desirability of having certain people on this Commission. What are your thoughts in regard to having 10 of the 15 members of the Commission Members of the Congress?

Mr. KASTENMEIER. I think that is appropriate, because I would think that they would represent, as broadly as possible, all interests in the inquiry, that is to say, they would not precisely represent the consumer alone, or the processor or farmer alone, and as a result, I think that we would get the type of representation that we desire most by having Members of the Congress serve who desire to serve and who have something to offer.

Mr. SHORT. Part of my—I will not say concern, because it is not a concern—but my thought that I have in regard to the Members of Congress serving on this Commission is that I have wondered as to the practicality due to the limitations of time.

On the House side we are certainly busy enough. And I am led to believe that those on the Senate side are even busier. I am wondering how much actual time House Members will be able to devote to the Commission. And if they are not going to be able to devote adequate time to the Commission I wonder what constructive addition they would add. I will emphasize that the Members of the Congress, if they do have the time, are, probably best qualified to do a good job, inasmuch as they represent, in their various districts, all of the interested people. I sometimes think that because of the limitation of time and the inability to be at many of the hearings that will be held they will be in something of a figurehead status, perhaps, on this Commission.

Mr. KASTENMEIER. I think that the gentleman raises a very good point. I would hope that the five Members of the House would be five members who treat this as they would, let us say, an important subcommittee assignment in terms of devotion of time.

I know all Members are busy almost every hour of the day in congressional work but insofar as this is a shortrun—whether it is concluded by July 1966 or at an earlier date—a shortrun inquiry, I would think that the five Members of Congress could be found who would devote the time necessary. I think it would be comparable to, say, having an additional subcommittee assignment in terms of consumption of time.

Mr. SHORT. You, apparently, have given some considerable thought to this proposition. Do you think that it will need as much as is provided for in Mr. Cooley's resolution, up to July 1966, to make a report? It seems to me much information could be secured in a much shorter time. I think there is a lot of information that is not too deeply buried at the present time. We have had some hearings on this subject. It seems to me that it is quite important that the results of this Commission's investigation be made available and publicized and utilized as soon as possible. Do you think that we need to take all of this time?

I grant you that the resolution does not say that the Commission must wait until July 1966 to make its report.

Mr. KASTENMEIER. I think that the committee could indeed tighten up the language there. In my companion bill to the chairman's bill, I used the same date, although in an earlier resolution which I introduced, I think I have it "as soon as practicable." I note that the gentleman from Illinois, Mr. Findley, has it within 1 year, as I understand it. I wish that there were some language which would make time a more urgent factor than July 1966. I think here the committee might give some thought, at least, to requiring some type of interim report in more precise language. I think the reason a number of people were for the longer date was that it was felt in the long range that a complete and comprehensive study would take on the order of 2 years, more or less. But certainly I would feel that long before then we ought to have from such a Commission some important and permanent findings.

Mr. SHORT. Thank you.

Mr. POAGE. Thank you very much, Mr. Short.

Mr. FINDLEY.

Mr. FINDLEY. Mr. Kastenmeier, do you have any suggestions as to how big a staff this Commission would require?

Mr. KASTENMEIER. No, Mr. Findley, I do not. I note that most of the resolutions carry \$2.5 million. This would appear to me as an authorization which would certainly be liberal. Originally, I had proposed having five members of the executive branch, partly in the hope that the staff would be small and that people within, let us say, the Federal Trade Commission and other agencies could almost be borrowed for this, and that the cost of conducting the inquiry would be relatively small and, certainly, much less than \$2.5 million. I do not foresee a large staff.

Mr. FINDLEY. The Committee on Agriculture handles quite a volume of work, and I believe that the staff is 12 or thereabouts. In my

resolution I suggest that it be limited to 21 people. And those that would come from the Federal agencies would be on a reimbursed basis. Do you think that that would be a reasonable limitation, a staff of 21?

Mr. KASTENMEIER. I do not feel competent to answer that. I do not know precisely what avenues the Commission will finally determine, with this broad language, that it should go into. If we knew this more precisely I think we could predict a little better what type of staff in terms of numbers would be required. As it is, it is a fairly open-ended proposition, and as a result I think that we have tended in our own resolution, at least in mine, the companion one to the chairman's, to try not to encumber the Commission and to give it as much as it wants, both in time and staff money.

Mr. FINDLEY. If we provide \$2.5 million, we have the likelihood the Commission will spend that amount. Therefore, I think it would be wise for us to put some reasonable limitation on size and number of the personnel that can be employed. If that proves to be inadequate, after it gets into its work, we can do something about it.

Mr. KASTENMEIER. I would respectfully suggest that once the committee has determined, if it does indeed do so, the scope of the inquiry—whether it wants to leave it this broad or wants to be more precise—only then should it, probably, go to the question of how much money or how many staff members you might give this Commission. I really cannot offer any advice on the question at this point.

Mr. FINDLEY. Thank you.

Mr. POAGE. Thank you, Mr. Findley.

Are there any further questions?

Mr. Gathings.

Mr. GATHINGS. Mr. Kastenmeier, I understood you to say that you are in agreement with Mr. Findley's thought with respect to the limitation to 21 members. I did not quite catch that.

Mr. KASTENMEIER. No; I said that I really did not feel competent to comment, because I do not know. I think that you would have to develop more fully what you intend the scope of the inquiry to be and how far you will go before you assess what will be required in terms of a staff. It is fairly open-ended now, I admit, with the \$2.5 million appropriation. Whether you will want to confine it, of course, is up to your determination. I really do not know how many staff members would be required.

Mr. GATHINGS. Is it your thought, though, that we ought to have a staff that should be paid solely by the Commission—you feel that way?

Mr. KASTENMEIER. Yes; I do.

Mr. GATHINGS. I agree with you on that wholeheartedly. As to the amount of money, when you are paying these members not to exceed, at least, \$100 a day for the meetings they have, it would cost considerably. They are going to have several meetings before the final report is made. Do you not think that \$2.5 million is quite a sizable sum of money for this type of study and investigation?

Mr. KASTENMEIER. It would seem so, certainly, at first glance. If this Commission conducts the inquiry as broadly based as the authorizing language currently is, it is conceivable that it could spend in the order of \$2.5 million or something approaching that and

it is conceivable that the results would be worth every penny of it. But as I conceded to Mr. Findley, I do not feel really competent to discuss either the staffing or the amount of the authorization at this point until, at least, the committee moves in the direction of determining precisely how far it will go in its inquiry.

Mr. GATHINGS. This inquiry is broad, there is no doubt, but so many of these that have been approved by the House, that is, similar investigations, \$25,000 to \$50,000 was the limitation placed on the expenditures. This particular study and investigation, it seems to me, should get a lot more money than the ordinary select committees that have been created by the House but not \$2.5 million.

Mr. FINDLEY. Will you yield?

Mr. GATHINGS. I yield.

Mr. FINDLEY. I might add that in my resolution I proposed a limitation of \$250,000 which would still be considerably more than the ordinary funds made available to study groups.

Mr. GATHINGS. Much more. I think that is more in keeping.

Thank you.

Mr. POAGE. Thank you Mr. Kastenmeier. We are very much obliged to you.

Mr. KASTENMEIER. Thank you.

Mr. POAGE. We will now hear from our colleague, Mr. Rosenthal.

Mr. Rosenthal has been waiting patiently. We will be glad to hear from you now, Mr. Rosenthal.

STATEMENT OF HON. BENJAMIN S. ROSENTHAL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. ROSENTHAL. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before the committee in support of my resolution, House Joint Resolution 980, and other similar resolutions, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

Although the district I have the honor to represent is 100 percent urban, I believe that the interests of my constituents are no different from those of the constituents of the other members of this committee. I fully subscribe to a statement published in a report of this committee on August 1, 1956, and signed by such distinguished representatives of rural areas as Congressmen Grant, Abernethy, Matthews, Hoeven, Harvey, and McIntire.

* * * the paramount need today—

they said—

is unity of purpose in agriculture and better understanding between farmers and their customers in the towns and cities. The interests of our great rural and urban populations are one and the same. They are intermixed and inseparable.

Believing that the committee still subscribes to this view, it seems to me that it is about time that we reached out to give parity to the consumer. The enactment of the resolutions under consideration may well be a first step in that goal. In considering the need for the enactment of this resolution, I think we must pause momentarily to reflect on what has happened to American agriculture in these past years, and if we are not relying on myths instead of recognizing realities.

On June 5, 1963, a representative of the Farm Bureau testifying before a subcommittee of the House Committee on Agriculture stated:

Agriculture is predominantly an industry of family farms.

Some 6 days later the Secretary of Agriculture, Hon. Orville L. Freeman, in testimony before the same subcommittee concurred with the Farm Bureau when he said:

Each time I hear someone say the family farm is dying * * * which it is not * * * I want to add loudly and clearly, "let the consumer beware."

Only 2 days ago in testimony before this committee Mr. Freeman reaffirmed his faith in the family farm and stated:

My concern rests on the simple fact that a family farm system of agriculture is vital to the strength of our economy * * *.

Although I can claim no heritage of the land and have no first-hand knowledge of the operation of a family farm, I have reviewed the relevant statistics and have arrived at what seems to me an inescapable conclusion, and that is the family farm is dead. It is so dead that the most appropriate comment I can offer came from Shakespeare who said: "Many a nobleman lies stark and stiff."

If I am correct in this conclusion this matter is pertinent to the current inquiry because Congress and others similarly concerned with agriculture, food distribution and marketing have been relying on false assumptions, and false assumptions generate faulty legislation. Therefore, a complete and exhausting review of the entire matter of food production and distribution would permit the Congress to focus its attention on the dynamic changes that have occurred in American agriculture. These changes in many ways affect the marketing, processing, and, perhaps most important, the price of food.

In 1935 there were 6.8 million farms. Today there are 3.7 million farms, and agricultural employment is at a 50-year low. The marginal farmer continues to fall by the wayside, and the lands he leaves behind are being put to use by the mechanized operator who spends more money to buy more machinery to raise bigger crops.

Prof. Edward Higbee who statistically analyzes this matter in "Farms and Farmers in an Urban Age," states:

Today the top 3 percent of all farms produce more than the bottom 78 percent. In between these extremes is a group of 19 percent whose owners are in good shape. Farms of 1,000 acres and over possessed only 28 percent of all agricultural land in 1930. By 1959 these big units, which were only 3.7 percent of all farms, had acquired 49 percent of all the land and their average size had reached 4,048 acres—more than 6 square miles apiece. America's 100,000 top-drawer farms produce 31.5 percent of all crops and livestock. In real estate alone these enterprises are worth, on the average, nearly a quarter of a million dollars each (\$220,000) and the average annual value of their sales is \$94,000.

At the other end of the production line there are 2.9 million farms which have an average annual value of sales of \$3,000. The 700,000 farms in between have annual sales that average \$18,000.

Professor Higbee, together with others, regrets the passing from the American scene of the small-scale farm, but he, as do I, sees no difference between the passing from the American scene of the family farm, regrettable as it is, and the passing of the small-scale family enterprise in manufacturing, in shopkeeping, and in services. He offers the explanation that:

The small farmer can no longer establish contact with the small consumer on a scale required to feed the population. Food must be assembled by the trainload rather than by the wagonload, and transported across the continent

rather than across a township. This calls for a new gigantism in production and in distribution. A few little farmers may survive by lying between the rails as the freights thunder by, but they are becoming as rare as old-fashioned butchershops in an age of supermarkets.

On April 5 of this year this committee issued a report entitled "Food Costs—Farm Prices," which pointed to the ever-widening spread between the prices the farmer receives and what the consumer pays for food. There have been many voices raised within and without the food and farm industries seeking an explanation of this ever-widening gulf between what the farmer receives and what the consumer pays. It seems to me that certain considerations are raised by this inquiry. If the family farm is disappearing, as I allege, or has in fact disappeared, has not the family grocery store also seen its demise? What has replaced this grocery store? Is there a small-size wholesaler still in existence; if not, who or what has replaced him? Is there a family processor still serving the community, and if not, who has replaced him?

If, as reported, in the last 10 years more than 130,000 food retailers closed their doors, who has replaced them? If, as reported, the largest 10 percent of the retail outlets do more than two-thirds of the dollar sales, is there a benefit to the farmer, the consumer, or anyone? Would it be wise to reverse any of these changes, or is it in the interest of all Americans to stimulate this type of growth? Has the battle of the brands and the concomitant advertising costs been borne by the American consumer and his ally, the former family farmer?

In 1963 consumers paid \$67 billion for food produced on the farm, and from that sum farmers received \$21.3 billion. Is there an adequate explanation from someone as to where the \$45.7 billion went?

In the past 10 years, as the members of this committee so well know, the price of bread to the housewife rose 21.8 percent. The amount the farmer received was down 2.2 percent. In the same 10 years, prices on milk and other dairy products were up 7.3 percent for the housewife, but down 5.2 percent for the farmer; meat products were up 5.8 percent for the housewife, but down 15.2 percent for the farmer; shortening was up 1.3 percent on the one hand, but down 25 percent on the other; and other food products cost the consuming public an additional 9.7 percent while the farmer received 5.3 percent less.

Growth of American industries and business is generally regarded as good and healthy for the economy, and thus for all Americans. But one sometimes wonders if that growth is at the expense of other participants in our society.

Safeway Stores, Inc., has increased sales from \$1,800 million in 1954 to \$2,650 million in 1963; Grand Union has increased sales from \$201 million in 1953 to \$630 million in 1962; Great Atlantic & Pacific has increased sales from \$3,989 million in 1953 to \$5,310 million in 1962; the Kroger Co., with a phenomenal rate of growth, has increased sales from \$1,108 million in 1954 to \$2,102 million in 1963.

It may well be that each of these companies both earned and deserved their increased capacity to serve the American housewife. We know that the shock waves emanating from their growth have disturbed previously established patterns in the processing, packing, and transportation of food. But we do not know if these changing patterns have affected the farmer and the consumer either favorably

or adversely. It is important that we understand these patterns better.

Our population is increasing rapidly and there will continue to be, and should be, greater production and consumption of food in America. The marketing structure and distribution of this No. 1 product deserves public attention and public scrutiny because, in the last analysis, it is the public that has the great and paramount interest. A comprehensive study, impartial in nature, by responsible citizens, including Members of Congress, would generate great interest in this subject and would unquestionably permit greater public understanding of a highly involved but useful segment of the American private enterprise system. It may be that the Commission would find that the food industry has rendered commendable, useful service, and that there is neither room for improvement nor reason for modification. On the other hand, the Commission may find that the system which brings food from the farm to the dinner table requires the attention of this lawmaking body.

All Americans—farmers and consumer alike—have a right to know if their efforts and their money are being appropriately used in the free marketplace, within the confines of the free enterprise system. Most retailers welcome this inquiry so that they will have an opportunity to present their case to the American public.

It is obvious, I believe, that the American people want their national food policy based upon the production and the utilization of abundance. They are willing to pay for this kind of a food policy. Yet they have the right to know if they are getting what they pay for—whether their expenditures are being directed to the right places for the right reasons—and if there is an equitable sharing of privileges and responsibility all along the line in food production, processing, distribution, and sales.

The proposed National Commission on Food Marketing, representing the American people, can make a substantial and constructive contribution to the public's right to know, and I am hopeful that it will be launched on this task with all possible speed.

Mr. POAGE. Thank you very much, Mr. Rosenthal.

Are there any questions?

Mr. Matthews.

Mr. MATTHEWS. Mr. Chairman, I want to say to our distinguished colleague how much I have enjoyed his comments. They have been very helpful. I must say that in his observations about the family farm he has aroused within me somewhat the same feelings I imagine that a lot of people had when aspersions were cast on the Puritan conscience of America. As chairman of the Subcommittee on Family Farms, I appreciate your recognizing me first, Mr. Chairman because I must say that I do not agree with some of the statements that have been made, particularly the quotation by Mr. Edward Higbee on page 2, in the middle of that page, where he stated, and I quote:

Today the top 3 percent of all farms produce more than the bottom 78 percent.

Let me emphasize that I do not disagree with the arithmetic of the statement, but I am wondering if he and I would agree on the same predicate. For example, what is his meaning of the top 3 percent of

all farms? My thought is that perhaps there might be a few of the top 3 percent that are family farms.

Having served on this subcommittee, you will recall that, through the years, that size is sometimes not the predominant consideration of a family farm. I think that we can say, for example, that a 10,000-acre ranch might be a family farm. The Secretary of Agriculture, Mr. Freeman, has himself said that anyone who employed less than 1.5 man-hours of labor on an annual basis would not be considered a family farm. We on the subcommittee have said that if you can do most of the work on the farm, over one-half of the work on the farm, except at harvest seasons, if you can do that by the members of the family living on the farm, that would be considered, we might say, a family farm.

And as we go further down in Mr. Higbee's statement—a couple of sentences, he says:

Farms of 1,000 acres and over possessed only 28 percent of all agricultural land in 1930.

I do not know how many farms of 1,000 acres are family farms. In other words, a family farm might have an investment of a quarter of a million dollars. Would that be impossible? I think not. I think that some family farms might have an investment of a quarter of a million dollars.

So I would question, not you, Mr. Rosenthal, but Mr. Higbee from the standpoint of that statement.

We come down further in his statement where he says:

America's 100,000 top-drawer farms produces 31.5 percent of all crops and livestock.

Once again, that is a good, catchy phrase. I do not know what he means by "top-drawer farms." So I would say to my distinguished colleague, in all deference to Professor Higbee, I believe that from the statistics, and I think from nearly all of our farm organizations and from Secretary Freeman, that I am correct in pointing out the fact that the family farm is not dying out, but is showing some signs of improvement.

I want to make one or two other observations.

MR. ROSENTHAL. Mr. Matthews, if I may respond for just a moment. Our interests run parallel and our sympathies run parallel up to a point. I deplore the passing of the family farm, as you do.

What you contend is that it is not so. I contend that it has already happened in America. Many people in this Congress concern themselves about the great amassing and centralization of power here in Washington on Pennsylvania Avenue. I am equally wary about the amazing centralization of power in the agricultural and food industry. And the premise that I make here today, sir, is that this tremendous growth, where A. & P. does sales of \$5 billion a year—one-twentieth of our national budget—that that power is helping to disturb and to disrupt and to do harm to the integrity of the family farm. More and more people have left the family farm—as a matter of fact, in recent years it has declined from 3,138,000 to 1,572,000.

Let me continue for just a moment, if I may.

In 1959 a distinguished Republican Senator from Delaware reported that three of the largest farm corporations in the country collected more price support money than all of the farmers in Penn-

sylvania, New Jersey, Delaware, and Maryland. I think that that is something to concern ourselves about.

Now, meeting the Maid of Cotton here today disturbed me, although she added great glamour to this room. It reminded me of a fact which is most disturbing, that the largest Government price support loan on cotton was granted to a single producer in 1960—it was \$1,200,000 which went to the Delta Pine & Land Company of Scottsboro, Miss., a corporation that is controlled by Fine Spinners & Doubles, Ltd., of Manchester, England, a British corporation, which is receiving American subsidy money and is part of the system of continual centralization of power in the farm system.

It seems to me that the tremendous growth of A. & P., and in my opinion supported by our friend from Texas—who talked about what is happening down in Waco in the stockyards down there—the tremendous growth of these commercial retail distributing companies has seeped down to affect and to limit the number of family farmers in this country and this is something that I am worried about, and I know that you, too, are worried about it.

Mr. MATTHEWS. I appreciate this very interesting observation. I do want to tell the gentleman that I am grateful for his work on our committee. I know that he is interested, like we all are. I want to point this out, because I think that one of the big problems of agriculture is the lack of information.

The members of our Family Farm Subcommittee will know that we have decided this year that if we do nothing more than to compile accurate information about the family farm—these facts and figures about the family farm—if we can do that, we can perform a service.

Let me point out that not only the family farmer is having problems, but, of course, all other segments of industry are having their problems, and I think that we must keep in mind that, through the past several years, we have lost thousands and thousands of coal workers and office workers and automobile workers, and, especially, railroad workers—that automation and other factors have caused us to lose these workers. That does not deny the fact, of course, that we must do everything that we can to keep these industries in a healthy condition. I think that sometimes the fact that we are losing people off the farms might hide these other problems. I think we are strengthening the family farm and that we are making progress, despite difficulties.

This is a little extraneous, but when we talk about subsidies I think it is always interesting to point out that I think one shipbuilder, Mr. Chairman, just a few years ago, was the recipient of about \$75 million in subsidy from one ship. I know this is extraneous but the people of America so often look upon agriculture and its subsidies and they point out the big operators are paid such a large subsidy, whereas by the very nature of shipbuilding—I suppose that one builder gets a tremendous amount of money—but the point I am making is just for the record and as a matter of information, that we ought to keep in mind this practice. I think that for the record we might point out that for last year, I believe, in unemployment compensation, there was paid the amount of \$3 billion in America. I would say that is a very minimum estimate, and, of course, no small farmer, even if he

is not productive, gets unemployment compensation, and it leads me to my final point.

I have gone so far in our subcommittee to say that I think that we not only ought to try to keep the family farmer on the farm, but this so-called small marginal farmer. I know that he is leaving the farm in vast numbers. I feel that the place of that man is to stay on his land even if he has only 2 or 3 acres and has to drive the school bus to make some extra money or work in the barbershop on Saturday. If he remains on the farm, he will not be a burden to industry and on his land is the place for him.

I think that the President's antipoverty program is going to offer some help for that type of man.

Thank you, Mr. Rosenthal. I do not think basically we disagree on many of these great issues, but I did want to have this opportunity to put in a plea for the family farmer.

Mr. POAGE. Thank you.

Mr. HOEVEN.

Mr. HOEVEN. Mr. Rosenthal, in your prepared statement you said you wanted parity for the consumer. I assume you also want parity for the farmer.

Mr. ROSENTHAL. Certainly. I think that the interests of most people are identical.

Mr. HOEVEN. Today the parity ratio is about 76 percent for the farmer, the lowest since August 1939. The farmer is not getting a very big percentage of the consumer dollar today, but he is generally blamed for the high price of food. This cost includes marketing, advertising, transportation, and a lot of other items. Do you know of any other items involved which might contribute to the high cost of consumer goods?

Mr. ROSENTHAL. I think, probably, the farmer is being short-changed, Mr. Hoeven. That is why I even raise this point of the family farm, because I think that we should stimulate this Commission to aggressively work to find out the answers to the questions that all of the witnesses, including myself, have raised. I think, perhaps, advertising somewhere along the line, the method of marketing and distribution, transportation, the vertical integration—the ownership by a retail store of all of the lines of vertical integration—this may be doing great disservice to the farmer and the consumer. More and more it may be that the allegedly modest profit that the gigantic firms are making are being used for further capital expenditures which on the balance sheet makes the profit look small, but continues to build the capital investment of the firm. All of this, sir, may be happening at the expense of the farmer and the consumer. If it be so, something should be done about it. If it not be so, then all of the linen should be put on the table.

Mr. HOEVEN. Would you also include labor costs?

Mr. ROSENTHAL. I am sure that is a factor along the line and that should be brought out, too. But the interesting thing is that the labor cost on the farm in the past 10 years has not increased at all, the labor in the retail store they say has gone from \$1 to \$2 an hour, but, on the other hand, the improved methods of merchandising and packaging and machine operations certainly somewhere may have compensated for the increased labor costs.

Mr. HOEVEN. Is it not true, Mr. Rosenthal, that in most cases where labor goes on strike for higher wages, the cost of foodstuffs usually goes up? This usually follows as a matter of course; does it not?

Mr. ROSENTHAL. I do not know.

Mr. HOEVEN. That is a matter which should also be included in any investigation.

Mr. ROSENTHAL. Oh, definitely. Definitely.

Mr. POAGE. Mr. Belcher.

Mr. BELCHER. I want to say that I think you have made a very fair statement. You pointed out some of the problems. Your statement does not put the blame on any particular segment. You want the Commission to find out if there is a better system, to find out if there are abuses of the present system. And whether or not legislation is needed, and so forth. To that extent, I, certainly, would go along with it, because I do not think that it will do any harm for the American public or the Congress or anybody else to know the facts.

In the statements by my colleague from Florida about the 3 percent of the farms that he raised questions about, let me say that I have spent considerable time in the United States and I know a little bit about farms and I know a little bit about farmers. I do not see where the 3 percent raise all of the products. Throughout almost anywhere that you go—we find this in Oklahoma or Kansas or anywhere else—you find a large percentage of the farms that are not big corporations, and there are still family farms.

The question of the one-family farm is not determined by acreage. A few years ago I was in the Western States. There was a place there that had about 5,000 to 7,000 acres of pastureland and it was having a hard time supporting 150 head of cattle and 24 hours later we were in Virginia where 2 ex-servicemen had 65 acres of pastureland and they had produced 200 head of cattle on those 65 acres of pastureland. And still the grass was that high [indicating]. Out on the farm with 5,000 or 6,000 acres, where it took 15 or 20 acres to support one cow, down in Virginia five or six head were pasturing on 1 acre of land.

As to the question of small units or large units as such, I recall that a number of years ago 585 automobile manufacturing concerns were in the United States. Now we have three or four. At the time that we had the 585 automobile manufacturing concerns, that were being organized and going out of business every day, automobiles at that time were several times higher in price in proportion as they are today. But now we have 3 or 4 automobile firms and you can buy a fine automobile, which you could not have purchased for \$25,000; that is, the kind of automobile they make today, when you had the 585 manufacturers.

As to the question of food distribution, we have a grocery store close to our apartment house, and when my wife goes down there to buy groceries, she finds that the prices are about 25 or 35 percent higher than over at Safeway. A housewife does not need to go to Congress or to the law library or to the Library of Congress to look up the law to find out why she should go to Safeway or go to the local grocery store. She just looks at the price tag on the can of beans, or whatever it is, and she goes to the place that sells it the cheapest and that gives it to her the quickest and where the checkout is the quickest.

She does not look to an act of Congress or anything else to determine that. She just goes where she can get it. And that is the reason why there are so many of these big chainstores.

I do not think that these chainstores would have grown big charging the customers more money than the local grocery did; do you?

Mr. ROSENTHAL. No; they would not.

Mr. BELCHER. If the consumer can buy cheaper in the big store, he will go there.

Mr. ROSENTHAL. Going back to the automobile example, this was a new product at that time. I am not familiar with it, but I have heard that Ford sold the model A for about \$1,000.

Mr. SHORT. It was less than \$500 at one time.

Mr. ROSENTHAL. Whatever it was, today the same car, a little bit nicer, I guess, costs about \$2,500.

Mr. BELCHER. That automobile at that time, and I happen to know, because I happened to be in the automobile business—when we sold those, we put an advertisement in the newspaper when a man made a trip to a town 15 miles away and got back the same day without having a breakdown. We talked about it. [Laughter.]

That was on the front page of the newspaper that our automobile made the trip to the adjoining town. We put it in the paper that he went up there and got back and did not have a flat tire, did not have a bit of trouble in the entire trip. I made 20 trips between here and Oklahoma and I stopped once on the road to get a pair of points. I went to California and back to Oklahoma from here and did not put anything on the car. In the past 14 years I have had one tire fixed.

Back there I sold tires. The company came out with a 3,000-mile guarantee. You know, I was afraid to tell the public about that, because I thought that we would get all of them back. I did not think that there was a tire that would do that. And, of course, I felt that if I told them that, that they would all come back to me and I just could not afford to do that. It was 6 or 8 months before I ever did tell a single customer about that. [Laughter.]

So the difference in the cost of those products is such. And if we still had 585 automobile companies making automobiles—and one was in my hometown—it turned out three automobiles a year—if we still had those 585 automobile companies in the business today, the automobile manufacturing companies would be paying us to drive the automobile. It would be like it used to be when we were kids.

We want to find out what the facts are, but I have never been one of those people who thought that because a man did a prosperous business and grew in giving services, like Ford, Chrysler, or the other companies—I have never had anything against their success and I am not against Safeway or any of these others if they can render a service.

One of the things that Premier Khrushchev of Russia wanted to see when he came here was a supermarket. That was more important than the Capitol of the United States, Washington, or the Supreme Court—he wanted to see a supermarket where you could buy all of your groceries in one spot and did not have to go to a meat market and then go over to the canned goods store to buy something else.

So far as the consumer dollar is concerned, we used to put our stuff in the wagon and we sold it to the people who lived in the town nearby when I was on the farm. There was no packaging, no transportation costs or anything else. We got the 100 percent of the consumer dollar but we only had a limited market.

Now down in Florida they raise vegetables that are sold the next day on the market in New York. They are washed and polished and wrapped up and transported more than 1,500 miles and put on the table up there in New York. And, naturally, the farmer does not get all of the money that is spent for the wrapping, packaging, transportation, distribution, and everything else. Naturally if you are going to put all of that in, it is in between. By the time you take a potato out of the ground and the time that you put it on the table there will be a large gap.

I still go along with you that it is a good thing to know what is happening.

Mr. POAGE. There are six more witnesses to appear after we have completed the questioning of Mr. Rosenthal. I do not want to deny anybody the opportunity to question Mr. Rosenthal, but I want to call your attention to the fact that these witnesses are here. The members are going to determine the time that we will spend doing this.

Mr. Gathings.

Mr. GATHINGS. Thank you.

Mr. Rosenthal has given us quite a lot of significant data. I wondered if you would give us the source of this information which starts on page 3 of your statement where it says:

In 1963 consumers paid \$67 billion for food produced on the farm, and from that some farmers received \$21.3 billion.

I think it would be much better if we had that in the record, just where that came from, because these are facts that are needed for determination by the committee on this resolution before it.

Mr. ROSENTHAL. I know, sir.

Mr. GATHINGS. That information should be had.

Mr. ROSENTHAL. Also, this information is contained in the committee's report that was released about 2 weeks ago.

Mr. GATHINGS. What committee report?

Mr. ROSENTHAL. The committee report on food prices.

Mr. GATHINGS. I concur wholeheartedly in the views expressed by my colleague from Oklahoma, Mr. Belcher, with respect to the automobile industry. There were many manufacturers a few years ago. Today we get an automobile that is much better and sounder at much less money.

Just one other thing along that same line. If we were to go back to the time when we operated with a mule, why, each consuming family in America would pay \$5 a week more for food they buy.

We hear this argument so many times, that the Delta Pine & Land Co. had a CCC loan in the amount of \$1,500,000 for cotton. This is orderly marketing of commodities. They put that cotton in there in the fall of the year and took it out in the spring when prices are more stable and they paid the interest and carrying charges on the loan. As a matter of fact, the Government of the United States could very well make a profit. It is not just a \$1,500,000 handout by the Government at all.

And then there was another loan from the Commodity Credit Corporation that was previously referred to. The point is that the \$1,200,000 CCC loan to the Consumers Rice Mill in Arkansas, is that there were many, many farmers who were members of that cooperative whose rice was placed in the loan. There were an awful lot of people involved in that rice marketing project. Insofar as the taxpayers losing any money on the rice, they lost little or none. The rice moved. It gave the small farmer an opportunity to use the loan facilities when the market is slow at harvest time. The association put the rice in the loan during the marketing season and it was off the market 3, or 4, or 5 months, and it was redeemed by the farmers through their cooperative when the prices were more favorable.

Thank you.

Mr. POAGE. Mr. Teague.

Mr. TEAGUE of California. Mr. Rosenthal, I would like to have you know that the small farmers in my part of California who are engaged in raising fruits and vegetables are by no means less, their numbers have not decreased over the years. They have been making a reasonable and moderate profit on the average. However, many small farmers in my area will be dead, I am very much afraid, next year when no longer they can get help to harvest their crops. The big farmers will make out. The small farmers will not.

Thank you.

Mr. POAGE. Mr. Olson.

Mr. OLSON. I wish to thank you for a most provocative statement. Undoubtedly, it has caused controversy. Your discussions of the family farm, its size and how many large farms produce such a tremendous amount of food stocks is interesting. I will not defend this system at all if, in fact, this is happening, if we are going to have three or four farms per township or county called family farms. I would choose to call them something else. It is of concern if 3 percent of our farms are marketing 78 percent of the production in this country. I cannot quite believe this to be the case. The big producer or the feeder, who has thousands of heads of beef, has not necessarily raised the feed that go into the beef. Some other family farmers have contributed to that operation. One wheat or corn farmer might market all of his corn and wheat and he might be given credit for marketing his wheat and corn while other farmers feed their corn. I do not know, but in some way we should get these statistics.

So far as the economy and what has happened to the automobile dealers and the food stores getting bigger, et cetera, I do not dispute the rule of economics to bring about a better system whereby we will all benefit. But I am very concerned and I think that we should get back to the resolution here. Your figures on page 3 indicate that \$67 billion was spent for food produced on farms in this Nation in 1963. Last year the beef farmers in America lost \$2.5 billion. This represents over 3.5 percent of the total amount of dollars spent for food produced in America. Something is wrong.

If we can protect against this loss then we will be letting competition take care of itself. In other words, if the farms have lost this much of their share of the food dollar in 1 year, then, of course, there will be few of them left to determine what should have been the best system under the most competitive circumstances. By insuring that we have more farmers, more family farmers, on the land, I

think we will insure the competition. They cannot keep going with losses like \$2.5 billion on beef. I do not want to see ourselves getting caught up in a system that takes \$2.5 billion away from them and gives them no voice in the marketplace. I do not think that we can say such a system is good or that the end result is good.

The supermarkets, indeed, have furnished good produce at good prices, but if they are doing it at this kind of an expense to the producer, then we cannot be self-satisfied with this system.

So I again thank you for your statement. You have given us food for thought. You have strengthened our realization that we had better try to arrive at conclusions or answers and that is what the Commission is for.

You have emphasized the need for the Commission. I say that we need not involve ourselves in the discussion of whether the results in our economy have always been in the best interests of everyone. We have only the standard of today to compare it by. We do want to watch specifically what I pointed out, that in 1 year 3.5 percent of the total value of the food dollar was a loss to the producer.

Thank you.

Mr. LEGGETT. I have just one question.

Mr. POAGE. Mr. Quie.

Mr. QUIE. Which committee made that study that you referred to?

Mr. ROSENTHAL. On which page of my statement?

Mr. QUIE. You said that on page 3.

Mr. ROSENTHAL. The full committee issued that report about April 6, I think it was, the full committee.

Mr. POAGE. This committee.

Mr. QUIE. Who made that study? Did the staff do it—was this the work of the Department of Agriculture—did they do it?

Mr. ROSENTHAL. The committee report has a number of Department of Agriculture graphs and charts on the back of it.

Mr. POAGE. Mr. Murray will give you a copy of it.

Mr. QUIE. I will have more questions later.

Mr. POAGE. All right.

Mr. Leggett.

Mr. LEGGETT. Just one question.

The Kern County Land Co. has a 20,000-acre cotton allotment and if they produce 3 bales to the acre in California on their particular land that would be some 60,000 bales and if the country produced about 12 million bales of cotton, which it did more or less, their share would be one two-hundredths of the total production in the United States. And if we spent about \$600 million in the cotton program, the Kern County Land Co.'s share would be about \$3 million, would it not?

Mr. ROSENTHAL. If you have figured it correctly, all right.

Mr. LEGGETT. It works out about like that.

Mr. POAGE. Mr. Short.

Mr. SHORT. I just want to take this opportunity to commend you for your thoughtful analysis of this whole situation. I think that you have given us some thoughts that have not been brought forth before. I would like to ask you this question. In your judgment, would the consumers that you represent be prone to have any objection to the United States revising its import policies to restrain a

little bit more the importation of some food products that we can produce in greater volume in the United States? Beef is one and sugar is another.

Mr. ROSENTHAL. That is a very good question. My father had a little manufacturing business and he went out of business because of imports from a foreign business so that he never recovered from that position. I am very sensitive to that.

Many people in my district are hurt by the imports of watches. Bulova is right adjacent to my district. Other people are seriously disturbed.

I think there is an inherent sentiment in the individual American involved to limit imports as to something in which their own financial future is concerned.

I think most of the people, at least, the people in my district are sympathetic to other Americans whose income is impaired by imports.

Mr. SHORT. Right here we get to the point it seems to me where we are concerned with products that we can produce in the United States at a price no higher than the cost would be if imported. Should we take some reasonable steps to protect the domestic markets for the benefit of our own agricultural economy at a time when all of the testimony indicates that there is reason for concern as to what is happening to our whole agricultural economy and the family farmer?

Thank you very much.

Mr. ROSENTHAL. Thank you.

Mr. POAGE. Thank you, Mr. Short.

Mr. Dole.

Mr. DOLE. I do not want to ask any questions. But I want to point out since mention has been made about this committee report on food costs and farm prices; one danger with 10 Members of Congress on the Commission, the staff will make a big study, put it in pamphlet form and the Members of Congress will actually know little about it. With this in mind, do you feel the Commission will be overloaded with congressional representation?

Mr. ROSENTHAL. I am in complete agreement with you. I hope that the Commission does not do anything of that nature. I hope that all of the members of the Commission participate and accept real responsibility and indicate their participation by having their names on the report. I do not agree that having Members of Congress would be a disservice. I think it would give a necessary balance to the Commission.

I do agree with you completely that they should work as an integrated group, rather than as individuals.

Mr. DOLE. This is a compilation of information presented by the Committee on Agriculture and so far as I am concerned if this is going to happen when the Commission finishes we will not have accomplished very much.

Mr. ROSENTHAL. I certainly hope that the Commission does come up with some pertinent answers.

Mr. POAGE. Thank you.

Mr. Beermann.

Mr. BEERMANN. Mr. Chairman, I would like to commend Mr. Rosenthal for his statement. I have some views on some of these problems. I would hope that this Commission might clear up some

of the problems and give us information on the problems the gentleman from Florida and others have touched on concerning Professor Higbee's analysis, such as 4,049 acres, more than 6 square miles, and on the average these farms were worth \$220,000 and produced sales of \$84,000.

I might point out that in Nebraska there are areas where it takes 8 to 10 acres for one cow and there are other areas where it takes 80 acres to take care of one cow. So I think that if this Commission could help clear up some of these figures it would be very helpful so that there would be no provocative situation as has been stated.

Mr. POAGE. Thank you.

Mr. Hutchinson.

Mr. HUTCHINSON. No questions.

Mr. POAGE. If there are no further questions, we are very much obliged to you, Mr. Rosenthal. You have, certainly, set off more comments than anybody I have ever heard in a long time. That, undoubtedly, indicates interest in your statement.

I thank you very much.

Mr. ROSENTHAL. Thank you.

Mr. BEERMANN. Mr. Chairman, so that we do not have a misunderstanding on the issues before the Family Farm Committee I would like to make it perfectly clear that we have agreed in many discussions in the Family Farm Subcommittee but I want the record to clearly show that I feel the family farm is not dead.

Mr. POAGE. We have a number of other witnesses here. We will try to hear each one.

We will have an executive session of this committee tomorrow morning at 10 o'clock to try to make time with this proposal.

Our next witness on the list is Mr. Harry Gamage, of Sioux City, Iowa.

Mr. HOEVEN. Mr. Gamage could not appear in person and I ask unanimous consent that his statement may be inserted in the record at this point.

Mr. POAGE. Without objection, it will be inserted.

(The statement of Harry Gamage follows:)

STATEMENT OF HARRY GAMAGE ON BEHALF OF THE RIVER MARKETS GROUP

The River Markets Group wishes to convey its sincere appreciation to the committee for the privilege of filing a statement in support of House Joint Resolution 966, authored by Mr. Cunningham, and House Joint Resolution 977, authored by Mr. Cooley.

My name is Harry Gamage, 342 Livestock Exchange Building, Sioux City, Iowa. I am immediate past chairman of the River Markets Group which comprises in membership the livestock exchange of six of the largest terminal markets in the United States; namely, St. Louis National Stock Yards, Illinois; Kansas City, Mo.; St. Joseph, Mo.; Omaha, Nebr.; Sioux City, Iowa; and Sioux Falls, S. Dak.

The River Markets Group has repeatedly appeared before committees of the Congress and expressed great concern with growing concentration and combines in the food industry, which threatens small business in the United States and as a matter of fact, our entire free enterprise system. We feel that the time has come when a complete study of the marketing of meat and meat products should be undertaken.

In supporting the adoption of this resolution, we would urge that a number of things be taken into consideration. First off, that publicity concerning the hearings be kept at a minimum. While many of us within the industry feel that there is a disparity to bargaining power, we believe that no segment

of the industry should receive a great amount of unfavorable publicity when, in fact, such publicity may not be substantiated by facts.

Second, we ask that the five individuals, who will be appointed to the Commission from outside the Federal Government, not be representatives of any segment of the livestock, meat, or food industries. It is our hope that these men will be leaders of high stature in other basic industries throughout the United States. They should be qualified for the assignment and be able to operate without bias.

Third, in supporting the need for an investigation into the overall food pricing mechanism in this country, we urge that there be no character assassination, and that witnesses be urged that they may testify without fear of reprisal. It is our sincere hope that the study will not point a finger at any particular segment.

We feel the need is great for the adoption of this resolution. American agriculture is in deep trouble. The time is now, for a speedy, thorough, unbiased, and comprehensive study of the food industry in the United States.

Mr. POAGE. The next witness is Mr. Arnold Mayer of the Amalgamated Meat Cutters & Butcher Workmen, AFL-CIO. We will be glad to hear from you now, Mr. Mayer.

STATEMENT OF ARNOLD MAYER AND JAMES WISHART, LEGISLATIVE REPRESENTATIVE AND RESEARCH DIRECTOR, AMALGAMATED MEAT CUTTERS & BUTCHER WORKMEN, AFL-CIO

Mr. MAYER. Mr. Chairman, thank you very much. We have a joint statement by Mr. James Wishart, the research director of our union and myself, and with your permission, Mr. Chairman, Mr. Wishart will read the statement.

Mr. WISHART. Our names are Arnold Mayer and James Wishart. We are the legislative representative and research director, respectively, of the Amalgamated Meat Cutters & Butcher Workmen, AFL-CIO.

The AMCBW is a labor union with 375,000 members organized in about 450 local unions throughout the United States and Canada. The AMCBW and its local unions have contracts with thousands of employers in the meat, retail, poultry, egg, canning, leather, fish processing, fur, and agricultural industries.

Our members work on food products all the way from the farm to the supermarket. Some of our members are employed on corporation-type farms raising and harvesting food. Nearly 150,000 others work in food-processing plants turning the farm goods into food products. Nearly 200,000 other members work in supermarkets selling the food products to consumers.

A large majority of our members in both manufacturing and retail work on meat. But more than 100,000 of them are employed in a variety of other types of food processing or in grocery sections of supermarkets.

On behalf of our union's executive officers, President Thomas J. Lloyd and Secretary-Treasurer Patrick E. Gorman, we want to thank the committee for the opportunity to present our views on the important legislation you are considering. We strongly support House Joint Resolution 977. We believe the establishment of a National Commission on Food Marketing to study the food industry from the farm to the final checkout counter is both desirable and necessary.

Our support here is not based on any preconceptions of what conclusions are likely to emerge after 2 years of study by the Commission. It is based rather on our realization that complex and rapidly shifting relationships in the food industry, and in its meat sector particularly, are matters of deep concern to consumers, to farmers, to labor, and to management. We all need to know the consequences of massive changes which have been taking place in the industry's whole structure and function.

This is an industry whose total retail store sales to consumers amounted to an estimated \$64 billion in 1963. Total food expenditures take about 23 cents out of the average family's spending. Over all, the food industry provides employment to: 1.4 million workers in foodstores; 1.7 million workers in eating and drinking places; 0.5 million workers in food wholesaling; 1.7 million in food processing; 6 million farm workers and operators.

If workers employed in the transportation of food are added to the above totals, it can be estimated that more than 12 million of the Nation's current 63.8 civilian jobs are in the food industry. More than 17 out of every hundred of the Nation's employed labor force are at work providing food and food service.

New trends or distortions of relations in this massive industry are, therefore, matters of the greatest public interest. They affect every American consumer and a major sector of the entire economy.

Recent developments in the meat sector of the food industry have been subject to a great deal of attention in the past few months. This has been triggered by the sharp decline in prices received by farmers for livestock.

In the last quarter of 1962, choice steers had been selling for about \$30 per hundred pounds of live weight. By the first quarter of 1964, the same grade of beef cattle brought farmers only a little more than \$21 per hundred pounds. The result has been economic disaster to cattle raisers and cattle feeders all over the country.

It has meant that for some cattle feeders the price received for a fattened steer amounted to less than the price paid several months before for the same animal delivered lean from the range. Such losses have been intensified for farmers who have tended to hold and feed cattle for longer than usual periods in the vain hope of rising price trends for livestock. Similar, though less drastic, price declines have affected hog raisers.

Such massive price drops have inevitably created deep indignation among farmers and ranchers. This resentment has been intensified by the conviction that price savings in livestock purchases have brought no corresponding decline in the price tags of meat in self-service cases of retail supermarkets.

Between the fourth quarter of 1962 and the fourth quarter of 1963, the prices of the live weight equivalent of 1 pound of choice beef (excluding byproduct allowances) dropped by 11.6 cents. In other words, the farmer's share out of the retail sale of 1 pound of choice beef at retail fell from 55.3 cents to 43.7 cents. In that same period, however, the price paid by the consumer at the checkout counter for the pound of choice beef fell not 11.6 cents but 5.6 cents, from 85.6 cents to 80 cents a pound. Out of every dollar saved in the purchase of cattle, 48 cents was passed on to consumers. The remaining 52

cents went to packers and food retailers. Out of this, the packer took 18 cents and the food retailer 34 cents. (These are estimates taken from USDA figures, "The Marketing and Transportation Situation," February 1964, p. 18.)

The conclusion that has been often drawn from this set of facts is that the food retailer has been wielding strong market power to bring larger margins for himself at the expense of the farmer, consumer, and perhaps even packer.

There is much evidence, in our opinion, to sustain such a conclusion. Today the retailer controls the strategic sector of the food industry. His is the command over access to the consumer dollar. Formidable power in the markets for wholesale meats is now held by food chains, with close to 50 percent of all grocery sales, and by independent operators, who use cooperative buying. Unquestionably, margins for retailers have increased.

We are not in a position to analyze specifically how much margins of return have been spent. It is our own first impression, however, that a good share of such gains have gone to meet the cost of intensified advertising and promotion. Sharpened competition among food retailers seem to have increased rather than decreased their total operating costs. This is an area which the Commission will undoubtedly want to study.

We offer our union's full cooperation in the studies which the Commission may want to undertake. We especially want to be helpful if it should seek data on labor cost trends in the food retailing industry, the meatpacking industry, the poultry industry, the canning industry, or any other food processing industry with which our union negotiates.

Workers in the food processing industry have won wage increases in the years recently passed. Although workers in many sectors of the food industry (canning and poultry, for example) are still at or below levels of real poverty, such adjustments have been sufficient at least to maintain former living standards. In other sections of the food industry where collective bargaining has been effective, they have meant some increase in real income and effective buying power for consumer goods, including foods.

Had no such adjustments been achieved by American workers, agriculture would today face a really devastating crisis. And to maintain the volume in the sale of basic foods would be sharply affected, had it not been for the essential increment in buying power arising from the collective bargaining process in recent years in this country.

In meatpacking, the official figures show rapidly mounting worker productivity. Current meat production levels are 10 percent above 1956, while production worker employment has fallen 20 percent—from 188,000 workers in 1956 and 170,000 in 1958 to a little more than 150,000 in 1963. The official figures show that labor costs per pound of meat declined from 3.54 cents a pound in 1958 to 3.17 cents in 1963. Thus wage gains in the meatpacking industry have been less than the increase in productivity. The real wage (adjusted by the Consumer Price Index) paid per pound of meat has fallen even more sharply.

Labor costs in the retail food industry have also fallen steadily in recent years. This is true even though the official figures appear to show a slight rise in food labor costs. In 1958, a total of 1,182,300 nonsupervisory workers were employed in the Nation's food stores. They sold \$52.325 billion worth of goods. By 1963, with food store sales rising to \$64.275 billion, the number of workers increased to only 1,313,400.

Wage increases over the same years have brought hourly earnings to \$1.89 in 1963 as compared with \$1.59 in 1958. The wage bill in 1958 amounted to 6.78 cents per dollar of food sold. In 1963, the wage bill was 7.02 cents per dollar. If consumers had been forced to pay such an increase, the added cost at the checkout counter would have been two-tenths of a cent for each dollar of food sold.

In fact, no such increase in wage costs was placed on consumers. The industry wage figures of 1958 do not accurately compare with 1963, because they fail to include the costs and the income of tens of thousands of store owners who have been squeezed out of the industry.

According to estimates made by Progressive Grocer, the number of food stores in the United States in 1958 and in 1963 compared as follows:

	1963	1958	Changes from 1958 to 1963
Independent grocers.....	210,000	280,000	-70,000
Chain grocers.....	21,000	18,800	+2,200
Specialty stores.....	90,000	88,000	+2,000
Total.....	321,000	386,800	-65,800

The total labor force in the food retail industry, including self-employed operators, was reduced at least by 1 for each of the small stores eliminated, or by a net total of 65,800. The work formerly done by the 65,800 owners for business income is now being done by workers for wage income.

If the cost of such work by these owners is figured into the 1958 wage bill at that year's wage rate, the actual 1958 labor cost must be increased by 5.6 percent. This would bring labor costs of 1958 to at least 7.16 cents on the sales dollar as compared with 7.02 cents in 1963. In other words, comparable wage costs declined between 1958 and 1963.

No total wage figures exist for analyzing the trend of labor costs in meat markets or in the meat departments of supermarkets alone. However, the experience of our union based on reports from hundreds of markets under union contract across the country is uniform: Everywhere, substantial wage gains made in Amalgamated retail contracts have been offset by the steadily rising productivity of workers. For practical purposes, labor costs per dollar meat sales have been either held constant or slightly reduced over the whole span of recent years.

Reports from our local unions over the country indicate that most major food operators pay out between 6.5 and 8.5 cents of the meat sales dollar for wages. The same ratio has applied steadily over the past 5 and 6 years.

Wage levels for the skilled work done in the meat department are currently about \$2.60 an hour. The average wage cost ranges between 4.2 and 5.51 cents per pound of meat sold at retail, at this wage level, just as it has in the past. These union estimates are consistent with conclusions shown in the limited number of studies of meat retailing labor costs, including the Agricultural Marketing Service's 1956 study and the 1963 study by Leland Ott and Bruce Mation of Ohio State University's Department of Agricultural Economics.

We shall be ready to make detailed facts available on these and related matters for the benefit of any study the Commission may launch.

In conclusion, Mr. Chairman and gentlemen of the committee, we would like to reiterate that the Amalgamated Meat Cutters & Butcher Workmen (AFL-CIO), fully supports the objectives of House Joint Resolution 977. An examination into the rapidly evolving food industry will, at the very least, clear the air of charges, countercharges, and confusion which has plagued the industry. More hopefully, it could provide the guidelines for the development of more equitable and rational economic relations among all segments in our vast complex of food industries.

Mr. POAGE. Thank you very much, Mr. Wishart.

Are there any questions?

If not, we are glad to have had you appear before us. We appreciate it.

Mr. SHORT. I would just observe, Mr. Chairman——

Mr. WISHART. My name is Wishart.

Mr. SHORT. That I believe you have provided——

Mr. WISHART. For these purposes we are identical here.

Mr. SHORT (continuing). Some very interesting information.

Mr. POAGE. Thank you very much.

We will now hear from Mr. Kenneth Naden, executive vice president of the National Council of Farmer Cooperatives.

**STATEMENT OF KENNETH D. NADEN, EXECUTIVE VICE PRESIDENT;
ACCOMPANIED BY ROBERT N. HAMPTON, LEGISLATIVE AND
MARKETING COUNSEL, NATIONAL COUNCIL OF FARMER COOPER-
ATIVES**

Mr. NADEN. Thank you, Mr. Chairman and members.

I have a short statement, but in the interest of time I will forgo reading it.

Mr. POAGE. Without objection it will be included in the record.
(The statement follows:)

**STATEMENT OF KENNETH D. NADEN, EXECUTIVE VICE PRESIDENT, NATIONAL
COUNCIL OF FARMER COOPERATIVES**

I am Kenneth D. Naden, executive vice president of the National Council of Farmer Cooperatives. The national council is a nationwide federation of farmers' business associations engaged in the marketing of agricultural commodities or the purchasing of farm production supplies or both and of State cooperative councils. The membership includes many of the federated and regional farmer cooperatives of the country. The organizations making up the council are owned and controlled by farmers as the marketing and purchasing departments of their farm business operations.

The national council's primary objective is to create and maintain an economic climate in which the individual agricultural producer can operate efficiently and can earn income for his efforts and capital investment commensurate with the income earned by like management, labor skills, and investments of other business segments of the economy. We believe that the great difference in organization and structure of the agricultural segment as compared to that of the industrial, distribution, and labor segments of our economy are severely impairing if not preventing farmers' opportunity to achieve this objective. This is especially true if farmers follow the route of individualism in economic affairs as compared to cooperative action. Therefore, we have a strong interest in objective determination and evaluation of the facts about trends in market structure. A National Commission such as this has special relevance to the role of group action by farmers in achieving some influence in markets that affect farm income.

The attitude of the membership of the National Council of Farmer Cooperatives with regard to this subject is expressed in the following policy statement adopted at the 1964 annual meeting:

"ECONOMIC DEVELOPMENT AND FARMERS

"Farmers are important contributors to the rapid economic development experienced in the United States. Efficiency in productivity has increased in the last decade about three times faster in agriculture than in industry on a per-worker basis and most of the benefits of the efficiency in agriculture has been passed along to consumers. Farmers are at the same time victims of this process in that they cannot adjust to economic changes rapidly and do not have as effective means as others for raising their income. One of the most important questions of our times is, 'How Can Farmers Contribute to National Economic Growth Yet Not Be Penalized in Income When Doing So?'

"This subject requires intensive and penetrating study. We support legislation and/or administrative action leading to objective investigations, on a non-partisan basis, of the direct and indirect effect of national economic development on farmers. Such an investigation should include but not be limited to the effect of economic development on farm income, on farm prices, farm output, and on distribution of national income. It should also include such closely related subjects as trade practices and buyer-seller relationships which have developed because of economic concentration in manufacturing, labor, and distribution. Such investigations would also make recommendations for the most appropriate and effective forms of adjustment to economic development which farmers can make while maintaining individual enterprise status of the family-operated farm.—Adopted 1964."

We strongly support the establishment of a National Commission on Food Marketing as proposed in the bill House Joint Resolution 977 for reasons to be given below, and urge this committee and the Congress to activate it at once.

BROAD OBJECTIVES SOUGHT

Much public discussion of this bill has centered on the price spread for farm food products. It would be a serious mistake to confine the attention of this Commission to the price spread, however important that is, or to any particular prices. The more significant feature of the area of prices is the effect of changing market structure on the pricemaking system. Particular prices are only the result of economic forces existing.

In our view, the principal objective of this Commission should be to analyze and report to the public, the reasons for and the consequences of the present kind of market organization and structure we have in the food industry in the United States. Much is already known about the causes of changing market structure but less about the effects of these changes. The Commission should look closely at the consequences of present and prospective market structure for the general public, for processors, for wholesalers, and for retailers. It should focus especially on the effects on farmers, since they are the group whose position and income is the weakest. Lastly, the objective of this investigation should be to develop sound public policy in this field. This means action programs, both with and without Government help, which will be effective in correcting the farmers' weak market position.

The Commission should include in the scope of its investigation all channels of the food distribution process from producer to consumer and their relation to prices. Careful analysis of marketing services rendered, pricing and buying practices, physical distribution problems, and all other phases of the marketing process should be made at all points of collection, warehousing, processing, wholesaling, and retailing. Bargaining and market power and its effects on farm income and consumer prices should be assessed not only at the super-market level but all along the line.

In many ways, the objectives of this Commission would be similar to those of the Temporary National Economic Committee activated by the 75th Congress in 1938. It was created to determine the relationship, if any, between concentration of economic power and industrial unemployment. Under its auspices, significant pioneering studies into the structure of the American economy were made. That investigation into economic concentration and economic power was abortive because of circumstances. World War II eliminated the unemployment problem so the reasons for establishing the committee appeared to be eliminated. It served a useful purpose of education of the public, but did not directly result in legislation or in specific recommendations for action. It left only a feeling of vague uneasiness about what was going on. We hope this Commission come to grips with realities—not the illusions—about market power and will expose these realities fully. If it does this, a great step will be taken toward educating farmers and the public about the world they live in. Such education will accelerate appropriate and profitable adjustment by farmers to the system.

AREAS OF INVESTIGATION

As we stated earlier, we believe that the Commission should probe deeply into the causes and consequences of the present inequality in market power between agriculture and other segments of the economy. The five objectives assigned the Commission by House Joint Resolution 977 appear to us to be penetrating and comprehensive enough to do the job required. However, we would like to discuss some specific questions about the nature of our food marketing system which would be encompassed in the work of the Commission.

1. What is the effect of present oligopoly market structure on the price-making system in wholesale and retail markets for farm food products?

The first and foremost effect of control by a very few firms of sales of a product in one market is administered pricing. It is understood that this term does not mean or imply any illegal or improper action by any firm or industry. Administered pricing is an inevitable result of the existence of markets dominated by large-scale firms and therefore of our industrial type of society. When coupled with output control, administered pricing usually means:

(a) Ability to pass along costs; or pricing deliberately in close relationship to costs rather than involuntarily as a result of the free play of supply and demand forces. This can have an important bearing on the price spread for food and helps to explain the cause and effect relationship between rising food marketing costs and falling farm prices.

U.S. Department of Agriculture data show that the farm-retail price spread has risen uninterruptedly for the past 10 years. The extent of this rise has been 2 to 3 percent per year. The major cause was quite clear—rising costs of labor, occupancy, materials, taxes, etc., which could not be fully offset by increased productivity and efficiency.

Many examples of these rising costs can be cited. For example, on the basis of a 1957–59 index of 100, the prices of supplies, services, and equipment bought by marketing firms during the 10 years, 1953 to 1962, rose from 89 to 104. The average hourly earnings of employees in firms marketing food, tobacco, and related products rose from \$1.11 per hour in 1947–49 to \$2.08 in 1962. The rise in taxes for food marketing firms should not be overlooked. Between 1947–49 and 1960, taxes paid for food marketing firms doubled from about \$1 billion per year to \$2,017,700,000. In its report in January 1964 on taxes paid by food marketing firms, the U.S. Department of Agriculture stated, "Food marketing firms paid about \$2 billion in taxes in 1960. Taxes amounted to 5 percent of the \$40 billion marketing bill for the year * * *. Processors paid 63 percent of the taxes levied on food firms, wholesalers 9 percent, and retailers 28 percent."

The impact of these taxes should be considered as part of the overall cost of marketing food products. Rising taxes are considered by processors and retailers in the same manner as labor, machinery, and other operating costs.

All this has been explored thoroughly in the recent report of the House Agriculture Committee entitled "Food Costs—Farm Prices."

The increase in farm-retail price spread is a classic example of the pass-through or pass-along system for costs which is an outstanding characteristic of administered prices. The critical question in the food industry is, "Pass along to whom?" The two options are to consumers and to farmers. The allocation of these costs between farmers and consumers may not be precise at any one time, but we believe the longrun answer is intimately related to the chronic buyers' market environment for farm food products which has existed since World War II, except for 1 or 2 years. Farmers are sellers and are so weak in market influence they cannot resist the downward pressure of rising marketing costs. This system with administered prices in one sector and free market prices in another serves to make the free sector the residual recipient of income. Hence, we believe there is a relationship between rising marketing costs and falling farm prices.

The influence of oversupply or production without regard for demand must, of course, be considered here in appraising a "buyers' market" environment. A buyers' market would exist for most farm products even if supermarkets and large-scale processors and retailers did not exist. The burden of oversupply alone could be tolerated, however. It is the additional downward pressure on prices and the additional burden of costs that exist by reason of large-scale buyers that makes the situation so acute.

(b) Administered prices mean a drastic departure from the free market system. Under present oligopoly structure, most nonagricultural markets are not free of supply control. In contrast, most agricultural markets are free of fully effective supply control. This is a highly crucial point in the comparison of the structure of agriculture and the structure of nonagriculture. It spotlights the myth that the "free market" in agriculture is the same as the "free market" in industry and labor.

This comment that the "free market" does not exist in its pure classical form in our food processing and retail industries does not mean that large-scale firms have repealed the law of supply and demand. We simply mean that this kind of structure usually gives ability to control the factors influencing supply and demand in such a way that the desired or administered price is created. The following comment by Dr. E. G. Nourse, former Chairman, Council of Economic Advisers, is most meaningful on this point:

"Makers of administered prices are not emancipated from the basic laws of supply and demand as expressed in the market * * *. It is the distinctive feature of the administered price phenomenon that the large unit executive can significantly influence the volume of market supply and also the character of the available product and attendant services. Clad with these powers he is in a position to adopt and implement a price policy."

2. What is the effect of the supermarket system of distribution on the price-making system?

The supermarket system of one-stop shopping with its 6,000 items practically eliminates the free market, retail price-setting process for individual products. The reason is because customers at retail supermarkets are not guided in their purchases solely or even largely by the prices of individual products. We can have broilers or any other product at 29 cents in one store and the same product at 45 cents in another store a few blocks away on the same day. This violates one of the most basic laws of competitive markets, which is that the same product shall have the same price in the same market in the same day. The reason these widely different prices can exist is that consumers buy an aggregate of goods—a market basket. As a result, they do not compare or act on price differences for the same item in two different outlets.

This great change which has occurred by reason of the sale of an aggregate of products means that any fixed relationship between wholesale and retail prices or any fixed relationship between farm prices and retail prices cannot be expected to exist for a particular product at any particular time. This pricing flexibility has great repercussions on suppliers, whether they be processors or farmers because they usually deal in only one or a few products with limited pricing alternatives. One type of result is the so-called loss-leader pricing. This can have a different effect on suppliers of coffee with a firm market as compared to suppliers of broilers with a soft market. The significance of this situation for the kind of competition existing should be explored.

3. What effect do certain trade practices of large-scale retailers have on farm income?

One trade practice which has received much attention by retailers and by processors is the growth of the retailer label program. Supermarket retailers have used their own distributor label program as a method of product differentiation and of tying customers closer to their own outlets. The broad effects of distributor label programs on advertising costs, on competition, and on marketing margins in the bakery industry have recently been explored by research at the U.S. Department of Agriculture and the University of Nebraska. These studies indicate the distributor label program may have raised some marketing and promotion costs and changed the status of some bakers into contract producers. The next step is the impact on farm income. If the distributor label program has an effect on farm income—favorable or unfavorable—it should be examined and reported.

4. What is the effect of present market structure of the food industry on farmers' independence?

We think that this question far overshadows any other question listed above or listed in the bill in its significance for farm income or for the kind of society we want to have. The demands of today's market make coordination of production, processing, and retailing necessary. This coordination must be done by some element, with or without vertical integration or ownership. Much coordination is being done by retailers under the name of specification buying. As processors and retailers seek closer control over the products they buy, they use contracts and direct production activities such as cattle feeding, fruit growing, and egg production. The ultimate outcome of this trend definitely threatens farmers' independence. We read the present signs as ominous. Farmers' independence is quite important to the Nation. Trends now in operation will have to be countered or stopped or many more farmers will become contract producers rather than flexible independent business firms with maximum opportunity for profit from their business operations. More and more farmers are being excluded from the profit opportunities in their own farm business operations.

The quotation from the testimony of Assistant Secretary of Agriculture George Mehren on October 29, 1963, before the House Agriculture Committee is particularly pertinent:

"Carried to a distant and perhaps never to be realized but still logical extreme, present trends could well mean that competitive independence may one day be restricted basically to the retailing segment, and such competitive independence may be greatly different from that which prevails today. Processors and perhaps producers might well be required effectively to operate as if they were integral parts of the operation of their customers."

The greatest benefit of this study will come from an objective, honest look at where present trends are taking us. This may take courage because such a look may result in criticism of the magnificent performance by the entire food industry. But we have a right to hear what kind of an economy we have and to try to shape it to desired goals.

EQUITY AND EFFICIENCY AS NATIONAL GOALS

To a great extent, the investigation of market structure we are supporting must unavoidably give much attention to the issues of equity and efficiency as national goals. It can be stated accurately that the present state of development of our economy and the present standard of living are largely the result of aggressive pursuit of efficiency by business firms. Large-scale organization gives more efficiency in many ways and yields an economy which is flexible in its adjustment to changing consumer wants and demands. Therefore, there will be many who will resist any change in the status quo. They will argue that the present system has an outstanding record and that any major changes in the rules of the game will be made at some cost in efficiency and national economic growth. This may well be true, although we cannot tell in advance. We should strive for improvements in equity along with improvements in efficiency.

Economic development is an exceedingly complex phenomenon about which little is known. But more importantly, the very existence of inequality in market power between various segments of the economy raises questions about equity. Satisfaction of the demands for equity might well be equated with satisfaction of the demands for efficiency. Efficiency is not the summum bonum to be pursued at the expense of or without regard for other values in our society. A most signifi-

cant statement on this point was made recently by Dr. Peairs C. Wilson, director, Kansas State Experiment Station. He said:

"We need to know much more about the relationships between agriculture and the urban industrial society * * * let's face it, we can't have our cake and eat it, too. We can't take the advantage of science and technology and ignore the disadvantages. We can't embrace the benefits and hope that the problems will go away because they won't. Perhaps we should ask ourselves not 'Where's science and technology taking us?' but 'Where are we going to take science and technology?' Science and technology are the tools of man, not the masters."

Every important and significant issue in our society represents a conflict of values. We believe that one reason for widespread support for this bill is that many persons believe that society should proceed more deliberately by discovering and announcing the end results of present trends in market structure. We can then, by open debate and the political process, decide whether or not and by what means we should seek more equity in economic affairs.

We appreciate the opportunity to express these views.

Mr. NADEN. Let me state in just one sentence, Mr. Chairman, that we strongly support House Joint Resolution 977. We believe that such a commission has considerable prospects for looking into some of the areas which have not been examined and we hope the committee will act promptly and affirmatively.

Mr. POAGE. We thank you very much. We appreciate that statement.

Our next witness is Mr. Wes Paris.

Mr. BEERMANN. Mr. Chairman, Mr. Paris is not here, and may I ask unanimous consent that if Mr. Paris, president of the National Broiler Council, presents a statement, it be included in the hearing record?

Mr. POAGE. Without objection it may be included in the hearing record.

(The prepared statement of Mr. Paris follows:)

NATIONAL BROILER COUNCIL,
Richmond, Va., May 13, 1964.

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture, Longworth House Office Building, Washington, D.C.

DEAR SIR: Acute economic pressures are being felt in the broiler industry today even though a record of unparalleled production efficiency opened the way in recent years to more rapid growth than any other major phase of American agriculture.

This efficiency has benefited both consumers and producers, and was made possible by rapidly advancing technology, applied in a practical way through a modern vertically integrated business structure. It was so far reaching that a former luxury food is being enjoyed by millions.

America's pioneering broiler industry is now imitated in countries throughout the world, and by competing foods here at home. Yet it is experiencing a profit squeeze created by many problems other than over-production. These problems need to be better understood so sound programs can be launched to overcome them successfully.

Consequently we feel there is a real need for an objective study of changes in the food industry and their relationship to broiler marketing. For this reason we favor the passage of legislation authorizing the establishment of a National Commission on Food Marketing.

Very truly yours,

(S) Wes Paris,
C. W. PARIS, *President.*

Mr. POAGE. Our next witness is Mr. A. E. Mercker, executive director of the National Potato Council.

STATEMENT OF A. E. MERCKER, EXECUTIVE DIRECTOR, NATIONAL POTATO COUNCIL

Mr. MERCKER. Mr. Chairman and members of the committee, I apologize to the committee that I made up my mind at the last minute to testify.

My name is A. E. Mercker, executive director, National Potato Council, testifying in connection with Joint Resolution No. 977, May 7, 1964.

The National Potato Council supports the President's recommendation to the Congress to conduct a study of the marketing and distribution of farm products from the farm to the consumer.

Since 1959 the National Potato Council has passed at each annual meeting the following resolution:

Since, in our overall national economic structure we are seriously concerned with the disparaging imbalance of the agricultural economy as compared with all other economies and, further, since total farm income is continually dropping, the council recommends that a complete study be initiated by an unbiased agency, namely, the Federal Trade Commission, of all of the agricultural income of farmers and the margins for all segments of the food industry and expenditures for all food items by the consumers as well as the proportions of each commodity used by the various consuming segments.

We believe that the Federal Trade Commission is fully qualified to perform this study as it has well-qualified, capable personnel and it has the basic legislation to request reports and information from all parties and can start litigation through the courts to obtain such information when it is not forthcoming willingly.

We believe that the aims and objectives of the study should be spelled out:

1. Which commodities should be given preference. I would recommend dairy products, cattle and calves, wheat, hogs, tobacco, fruits, and vegetables.

2. Is there a monopoly, and if so, the extent of control that such a monopoly exerts in the manufacturing, warehousing, distribution, and marketing of the above representative farm products both in the fresh and processed form.

3. Is the inquiry to determine the proportion of payments to growers, to distributors, transportation facilities, wholesalers, retailers, and other important classes of factors between the grower and the sale of the commodities to consumers in the fresh and processed form.

4. Will the study make a comparison of the returns to growers on the marketing of their crops through cooperatives with the returns to growers marketing their own products, or other private marketing agencies at different time periods?

5. Does the inquiry intend to study the competition or unrestricted competition between producers of the same commodity and all other agricultural commodities, particularly those of a perishable nature? Does this competition result in nonprofitable prices and the various attendant abuses, if any, including the shipment of undersized, immature and defective specimens. Are there fraudulent, dishonest, unfair, and injurious methods used?

6. Does the Commission intend to determine whether price fixing activities are employed and at what level?

7. Does the Commission intend to study the effect that growers' organizations have on the market price of their product, as well as those growers of commodities that are working independently among themselves, and the effect of such independent action on their returns?

8. Does the Commission intend to study the effect of our fast communication methods whereby information is obtained quickly of the activities taken by other concerns? To what extent do the firms imitate each other.

As positive proposals we would:

1. Encourage local communities to develop farmers' markets.

2. Promote the distribution of food through pushcart and truck nucksters. These are the most efficient food distributors of all and effectively remove surpluses, particularly of perishables.

3. Encourage local communities to assist the small food merchant by lowering the curb at his store and permit short-time parking on the sidewalk adjacent to his store, where practical.

Mr. Chairman, I just gave some down-to-earth testimony. I have had 5 years' experience selling fresh fruits and vegetables on the New York market, Washington Street, pier 17 of the New York Central, pier 20 of the Erie, pier 29 of the Pennsylvania as well as the Harlem Market, the Attorney Street Market, the Wallabout Market.

Mr. ROSENTHAL. And all are knocked down.

Mr. MERCKER. The last time I was in there was in 1952. I appreciated all of the pushcart peddlers on the Attorney Street Market on a Sunday, and those on Delancy Street. And as I said, they are the most efficient and economical handlers of food in the United States with a minimum of cost and believe it or not, after the purchases are made by the restaurants that buy high-class products, the highest quality foods in fruits, vegetables, and pastry products, in your low income areas that I have just mentioned in New York City. Evidently, they buy the better qualities because the larger proportion of their income must be spent for food and they are more discriminating in what they purchase.

I thank you.

Mr. POAGE. Thank you very much. If there are no questions, we are very much obliged to you, Mr. Mercker.

(The following letters and statements were also submitted to the committee:)

STATEMENT OF JERRY VOORHIS, EXECUTIVE DIRECTOR OF THE COOPERATIVE LEAGUE OF THE U.S.A.

The Cooperative League of the U.S.A. includes in its membership many cooperative organizations of different types. Many of the major farm supply, service, and marketing cooperatives, as well as State councils of cooperatives are members of the league, and so are cooperative organizations composed of city consumers. Consequently, the interest of our organization is in narrowing the spread between the low prices which farmers usually receive for their crops as well as in seeing that consumers are not overcharged for the food which they buy. This spread between what farmers receive and what consumers pay for commodities has been widening over the past years. It is, therefore, evident that the commodity markets which lie between the farmer and the consumer as well as food processing operations are becoming more and more monopolized, and that the economic power of those who control these "toll-gates" is becoming constantly greater, as the number of buyers in the com-

modity markets becomes fewer and fewer, and as merger and consolidation takes place in the food processing business.

For a long time the Cooperative League of the U.S.A. has been pointing out these facts and urging that something be done to arrest these trends. In submitting this statement on behalf of House Joint Resolution 977 we shall, therefore, confine ourselves almost entirely to quoting from testimony by our organization in recent years before the House Committee on Agriculture.

On June 10, 1959, I submitted testimony for the Cooperative League of the U.S.A. before the House Agriculture Committee in which I said:

"American agriculture is in grave danger. The whole American pattern of agriculture and farm life is in danger. Therefore, since the farm owner-operator has from the beginning of our history, been the rock on which our democratic structure of a free society has been built, our Nation is in danger. It is in danger of losing the basic values to preserve which our Nation was founded.

"Let me show this first in some figures.

"From 1942 to 1956 total national income for all the American people increased 200 percent. Income of farmers increased just 20 percent.

"In 1956 farmers made up 13 percent of the population but received only about 3.3 percent of national income.

"A recent study shows average per capita income of farm families in one of our more prosperous States to be just 43 percent of average nonfarm income.

"Food costs to consumers went up \$122 for a standard 'basket' of groceries from 1950 to 1958. Farmers got \$12 less in 1958 than in 1950. Middlemen and processors got \$134 more.

"These glaring economic injustices are not due to lack of efficiency in agriculture. Quite the contrary. For the fact is that between 1947 and 1957 productivity per man-hour increased 34 percent in industry in this country, while during that same 10-year period productivity per man-hour in agriculture went up 87 percent.

"As a reward for his greater efficiency the farmer suffers economically. The greater his efficiency, it seems, the worse off he is. And for one simple reason. He lacks the economic bargaining power which others possess.

"Farmers are many. Buyers of their crops are few. Those buyers are getting economically more powerful every day. It has been estimated by leaders in the chainstore field that by 1970 more than three-quarters of all the food trade will be controlled by five or six giant chains. Even today in many markets these powerful buyers can pay just about what they want to pay for farm products.

"Farmers are many. Sellers of supplies and services to farmers are few. Especially in the case of most of the important agricultural inputs like farm machinery, chemical products, power, transportation.

"This is why prices received by farmers went down 25 percent from 1951 to 1956 while prices paid by farmers did not go down at all."

On May 3, 1951. I again testified before the House Committee on Agriculture in the following words.

"American farmers have been suffering long enough from a basic economic injustice. That injustice arises from the fact that agriculture remains a highly competitive enterprise, whereas much of our industry is now monopolistically controlled.

"Agriculture produces as much as it can and takes its chances on what the market will bring. Industry on the other hand can and does, in most instances, control production and thereby maintain its price structure quite regardless of what the demand-supply relationship may be. The result is that, in general, industry has been able to retain within its corporate structure most of the increment resulting from technological advance. This is a root cause of the failure of our economy to grow at a more rapid rate. Agriculture, however, has passed and does pass on the results of improved technology. Agriculture tries to pass this on to the Nation as a whole and farmers have not retained very much financial benefit from their vastly improved production methods.

"But the benefits from this do not reach consumers. They are siphoned off along the way into increased earnings of the toll-gate companies that stand between farmers and consumers.

"The committee is well aware of this. But just to sharpen the point, the Bureau of the Census statistical abstract shows these figures.

"The retail cost of all farm products bought by the average family annually increased from \$940 in 1947-49 to \$1,040 in 1959. But farmers received for these same products only \$399 in 1959 compared to \$466 in 1947-49. Consumers

paid 10 percent more; farmers received 15 percent less; the middlemen took 25 percent more, in round figures."

Once again on August 7, 1962, in testimony before the Agriculture Committee, opposing the program of the Committee for Economic Development, the following paragraph was included in my testimony.

"The third false assumption of CED is the blandest one of all. It is that consumers would pay less for food if the bottom were knocked out of the prices received by farmers for their crops. It hasn't happened. And in the absence of some kind of miracle in the antitrust field, it won't. Seventeen buyers now control 80 percent of all purchases of groceries and meats in the New York market. And in most of the cities the concentration of control is even greater. I know no more important field for congressional investigation than this situation presents. The results speak for themselves. Farmers are today receiving 12 percent less for a standard market basket of food than they did in the period of 1947-49. But consumers are paying 21 percent more than they did then for the same food basket. It is not prices received by farmers that determine what consumers pay for food, it is the decisions of those who control the economic toll gates through which that food must pass between the farmer and the consumer."

Thus the record of the Cooperative League of the U.S.A. on this question is quite clear and full, and little else need be said to document our reasons for supporting House Joint Resolution 977. It is high time that the Commission called for in this legislation was created so that the full facts can be given to the American people and the case for corrective action, both voluntary action on the part of the farmers and consumers, and also remedial action on the part of the Government, can be promptly taken. While we are quite certain of our facts, and the stand which we have repeatedly taken in these matters, it is always the part of wisdom in a democratic Nation to arrive at conclusions and courses of action on the basis of a full disclosure of facts on all sides of a public question. The Cooperative League of the U.S.A. therefore, hopes very earnestly that House Joint Resolution 977 can be promptly enacted into law.

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION,
Denver, Colo., May 12, 1964.

HON. HAROLD D. COOLEY,
Chairman, House Agriculture Committee,
House Office Building, Washington, D.C.

DEAR MR. COOLEY: As you are aware, we have been extremely busy on the legislative end on the beef import matter and in preparing for and testifying before the Tariff Commission on the Senate Finance Committee's request. Therefore, we have actually let time slip through our fingers and have suddenly become aware that your hearings on House Joint Resolution 977 are about to conclude.

We assume that written testimony will be accepted. Hence, we would like to submit the following comments on behalf of the American National Cattlemen's Association.

The organization long has welcomed factual, dispassionate studies of the factors of marketing of cattle and beef. It shall continue to do so, especially in the interests of clarifying for the industry and the general public the multiplicity of problems involved in raising, finishing, processing, and distributing at reasonable profit levels for all those concerned with supplying the public its apparently most popular food—beef.

We are confident that a commission composed of men and women, unbiased but knowledgeable of the intricacies of the entire "beef team," will emphasize to the public that the job of providing ever-increasing quantities of beef has been a magnificent one, although fraught with complex problems and imbalances from time to time. The better that everyone understands, the better job the entire industry can do.

We certainly pledge our cooperation to any objective study and further pledge that the beef cattle industry itself will continue to strive to correct difficulties of its or anyone else's making in order that its efficiency may remain at the utmost.

Very cordially,

C. W. McMILLAN.

MILLERS' NATIONAL FEDERATION,
Washington, D.C., May 19, 1964.

HON. HAROLD COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Millers' National Federation, is the national trade association of the flour milling industry whose members produce approximately 90 percent of the wheat flour milled in the United States.

We have examined House Joint Resolution 977, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer. We consider the objectives of this resolution to be desirable and regret that we were unable to express our views in a more timely manner.

To be of maximum value the study must be impartial, objective, and skilled. This will require a competent staff and, of equal or greater importance, membership on the Commission of knowledgeable men experienced in agricultural production, food processing, and food marketing. We therefore would have recommended that the number of public members of the Commission be increased in order to provide for such membership.

We would very much appreciate having this letter made a part of the record of your hearings on House Joint Resolution 977.

Respectfully,

C. L. MAST, Jr., *President.*

STATEMENT OF AMERICAN STOCK YARDS ASSOCIATION

The American Stock Yards Association is a trade association comprised of the owners and operators of the major terminal livestock markets of the United States. A substantial portion of all livestock marketed in the United States is handled by the members of this Association, all of which have been posted by the Secretary of Agriculture under the Packers and Stockyards Act, 1921, as amended (7 U.S.C. 181 et seq.).

In recent years, this association has become increasingly aware of problems resulting from the concentration of economic power in the hands of relatively few large, and, in some instances, vertically integrated, retail food chains. This concentration of economic power, along with other factors, has contributed substantially to a steady decline in livestock prices received by producers, with no corresponding decrease in retail food costs experienced by the consumer. In addition, the economics of livestock marketing under the Packers and Stockyards Act, which envision a competitive price determination through the gathering of buying and selling power at the terminal livestock markets, have been disrupted by an increasing diversion of buying and selling power from the terminal markets to compensate for the concentration of economic power in chainstore systems. In some instances, vertically integrated food chains function at all levels of livestock production and marketing and, to the extent that they no longer bring their buying power to the terminal markets, render less effective the competitive, price-determining system upon which virtually all sales of livestock are predicated.

The association recognizes that House Joint Resolution 977 is directed toward a consideration of complex economic problems which appear likely to increase in magnitude unless positive action is taken.

Since 1958, the American Stock Yards Association has urged the Packers and Stockyards Division, Agricultural Marketing Service, U.S. Department of Agriculture, and the Federal Trade Commission, to inquire into the increasing concentration of economic power in retail food chains and to take appropriate action to correct abuses which increasingly are being realized by the livestock industry and the American public as a result of such concentration of economic power. To date, no positive action has been taken.

The President's proposal, as embodied in House Joint Resolution 977, is greeted by the association as a very welcomed evidence of governmental realization of the fact that serious problems exist in this area. The approach taken by House Joint Resolution 977 to require a comprehensive investigation of the marketing practices of food chains is a practical approach which, if adopted by the Congress, will likely reveal the existence of similar problems in other industries.

This Nation's economy is controlled, apart from direct Government regulation, through the economic policy of free competition, embodied in the Sherman Act of 1890 (15 U.S.C. 1), as implemented by the Clayton Act, act of 1914 (15 U.S.C. 12), the Federal Trade Commission Act of 1914 (15 U.S.C. 44), and the Robinson-Patman Act 1936 (15 U.S.C. 13(a)).

The American Stock Yards Association fully believes in and endorses the basic economic concepts contained in the Sherman Act and implemented by the 1914 and 1936 legislation, referred to. However, the Nation's economy has not been static since the enactment of these basic laws, but, rather, has changed to meet the demands of war and the teachings of improved technology, distribution methods, and changing consumer preferences. In short, the Nation's present economic system is not the economic system which was studied by the Congress in 1890, 1914, and 1936, and many of the problems which are now being realized were not then in existence.

Accordingly, the American Stock Yards Association fully supports the philosophy of House Joint Resolution 977, calling for a thorough investigation of the marketing practices of food chains, and respectfully suggests that such an investigation, in order to be of maximum benefit, should not be limited to determining whether given practices violate existing law, but, rather, should have a broad base of concern over such factors as the changes which have occurred in the size, concentration, and business relationships between food marketing firms; the likely future structure of the food industry, if present trends are to continue; and, whether this future industry structure would appear consistent with the best interests of the American public.

The American Stock Yards Association expresses no view as to whether this investigation should be conducted by a newly created agency or entrusted to an existing agency.

CALIFORNIA FARM RESEARCH & LEGISLATIVE COMMITTEE,
Santa Clara, Calif., April 30, 1964.

Subject: Support of House Joint Resolution 977—Cooley and identical measures introduced by Representative James Roosevelt, House Joint Resolution 978, and others to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

Hon. HAROLD COOLEY,

Chairman, House Committee on Agriculture.:

Mr. Chairman and members of the Committee on Agriculture, the California Farm Research and Legislative Committee wholeheartedly supports the establishment of a National Commission on Food Marketing from the farm to the consumer.

We feel that the situation in California and nationally, calls for a full-scale investigation of what has been happening in the food industry affecting, as it does, the net income of the Nation's commercial, adequately equipped farm owner-operators, their marketing cooperatives, the whole series of operations from the farm to the retail outlet.

As we interpret the resolution, it will facilitate coordination of the material already gathered by all Federal regulatory agencies concerned with enforcement of existing statutes and will make available to the proposed commission the skilled personnel of these departments.

The composition of the proposed bipartisan Commission, with the majority of its members centered in the Congress itself, seems to us to be in line with the responsibility delegated to the Congress by the Founding Fathers and by historic practice. We do not feel that an industry-oriented Commission on Food Marketing is capable of judging its own values or shortcomings in the interest of the "whole people" who stand to lose by further concentration of economic power over their most basic need—food. We commend you for recognizing this.

With five members of the proposed Commission appointed by the President of the U.S. Senate from among its knowledgeable Members; five similarly appointed by the Speaker of the House; and the remaining five named by the President of the United States, this should be an overall investigating body, balanced geographically and with due regard for the subjects under consideration. There is a great reservoir of informed and dedicated citizenry from among whom, we are confident, the President will choose the most qualified.

Our committee has been acutely aware of the monopolistic trends developing in the Nation's food industry since our turkey and fryer growers were being forced out of the industry in 1956. The record has long ago been made in hearings before your committee and before the Small Business Committee of the House. Reams of testimony have been taken, and hopefully, may now be collated showing the year-by-year deterioration of the independent status of family owned and operated units and the accompanying increase in control by feed companies, processing industries, and food chains.

Many of our growers who testified during the interim are no longer engaged in farming. Many others have become "contract" producers. Too many fear to express themselves because they must have a market for what they produce and we have enough examples of empty fryer houses where efforts have been made to organize into marketing cooperatives to provide a more stable income and organized control.

Now, too, California egg producers, as we warned 10 years ago, find themselves the playthings of the market—a market outside California—but conditioning the price they receive for their commodity.

While members of our committee most seriously affected by current marketing trends are still turkey, fryer, and egg producers and low class I contract market milk farmers, the fruit and vegetable industry, so vital in California's economy as well as to the Nation's consumers, is increasingly feeling the impact of chain trade practices. And, of course, beef cattle growers on a nationwide scale have suffered seriously.

In his acceptance speech as president of the California Association of Soil Conservation Districts in Fresno December 5, 1963, Sam Chinn, outlining his struggle to maintain and to operate his father's heavily indebted acreage in the 1930 depression period, said in part:

"History has proven that surplus crops can become a shortage overnight. We must hit paydirt in getting the public to understand the problems of agriculture. To do so, it is the responsibility of each and every one of us farmers * * * to get the word to the city folks for they outnumber us 9 to 1.

"We must get them to understand that the farmer gets a very small fraction of the dollar they spend in the supermarket. As an example, I, as a row-crop farmer, would be happy to get 2 cents for each head of lettuce, I need only 1 cent per pound to make money on cabbage and 1 pound of carrots, of which I get 1 cent, yet this makes 9 cans of baby food.

"Compare these figures of what I, as a producer, want and what the consumer pays. The average housewife should realize that processing, fancy packaging, distribution, and built-in services compose 90 percent of the price she pays for food * * *.

"We must convince the city people that they are able to maintain their high standard of living as a result of the progressiveness and resourcefulness and plain old sweat of the farmer today and because we have adopted good conservation measures, wise land use, along with scientific developments and modern machinery * * *.

"Twenty-three years ago, when I started to grow carrots, 10 or 12 tons per acre were considered good, today, 40-ton crops are not unusual. Whose to benefit? You say the farmer, OK, I admit I benefit, but only to the extent that all these features of money saving and increased production, enable me and many like me, to stay in business.

"Dollarwise the consumer benefits for if everything were the same, the public would be paying 20 times more than what they are paying today, for 25 years ago I got \$20 a ton for carrots. Today I am still getting \$20 per ton.

"With slight variations these conditions hold true in many other farm crops * * *."

On April 23, at the monthly meeting of the California State Board of Agriculture, J. F. Bennett, deputy director, State department of agriculture, presented a costs and margins study made by department staff at the request of the board a year ago.

The study, although confined to only two commodities, Thompson seedless grapes and lettuce, bore out the conclusions presented by Sam Chinn last December.

In regard to Thompson seedless grapes, the total spread in dollars, as a percent of retail price, for the combined localities checked, was 80.6 percent. This was based on a 27-pound lug. The cost to the consumer averaged \$4.85. The producer received 94 cents "on the vine."

The total spread for lettuce, one of the commodities mentioned by Mr. Chinn, was 88.4 percent. This was based on the price of a carton of 2 dozen heads of lettuce weighing approximately 47 pounds. The retail consumer price averaged \$3.97. Price to shipper (f.o.b. shipping point) was \$1.31. The producer's share of the consumer dollar for a head of lettuce was 11.6 percent. It was pointed out that this would vary from month to month.

It is my understanding that this study has been made available to your committee, with observations and information that it is being expanded to other fruit and vegetables where information has already been gathered. I merely wish to agree with a report received on this discussion by a member of our board of directors, Manny Weiss, that—

1. The variation in retail prices is borne by the producer;
2. The size of the retailer (chains and independents) was much larger than anticipated and current pricing practices are leading to trouble for growers;
3. A certain philosophy of pricing by the larger chains is indicated;
4. There is serious concern that if curbs are not placed on developing practices, associated with even larger selling units, there will be an aggravation of the effect of these marketing practices on the primary producer, and eventually on the consumer in the form of administered prices for the entire food industry.

In December 1963, our committee released a study: "The Family Farm in California," made for us by Economist Richard Sasuly which corroborated the findings of the report of the National Agricultural Advisory Commission: "The Family Farm in American Agriculture." Their conclusions were that the efficient, well-equipped, commercial family farm operation is, in reality, "the backbone of the Nation's and of California's vital farm economy * * *."

Summarizing his report before the State board of agriculture March 26, Mr. Sasuly said in part:

"The smaller family farm, adequately, financed and efficiently organized, did not suffer the great decline of the 1940's and 1950's. It remained, as a producing unit, a quite viable entity. The threats to its existence today are severe, but they come not from the area of production, *but from marketing.*" [Emphasis mine.]

He asked, among other unanswered questions:

"What are the actual marketing experiences of farmers in different commodities who dispose of their products in different ways? What can a marketing co-op do for the family farm? What really are the measurable effects of vertical integration? This single topic is as broad, in content and conception, as all the rest. But even field hearings would, it seems to me, offer some enlightenment * * *."

Conducting "field hearings to talk to family farmers in different sections of the country * * *" was also one of the recommendations made by Subcommittee G—family farm—of which Floyd Higbee, Deputy Administrator, Farmers Home Administration, was chairman when the subcommittee discussed actions taken on such recommendations last December 3.

Also recommended was assigning a special unit of the USDA to continually study and analyze contract farming * * * vertical integration * * * and other forms of concentration of control over land, labor, and capital in agriculture.

The proposed bipartisan Commission as spelled out in House Joint Resolution 977 would be in position to make use of these suggestions and USDA staff engaged in the study on the family farm. We sincerely recommend that when the Commission reaches the stage of actual investigation of conditions as they affect the commercial, efficient, family farm unit, field hearings be conducted in California to hear from the men and women who are being victimized by uncontrolled consolidation of marketing services, whether these be at the processing, distribution, or retail chain level. We further urgently recommend that special attention be given to the currently expanding and all-devouring discount house chains.

With its ability through access to vast financial resources to feature any food as a "loss leader," this new type of chain threatens not only the primary producer, who is forced to submit to a more severe cost-price-squeeze, but also threatens middle-sized chains, consumer cooperatives, and, of course, what may be left of the independent retailer.

Copies of the testimony offered at hearings terminated today before the Subcommittee on Commerce on the expanded McGee Senate Joint Resolution 71, are not yet available for our study. We do, however wish wholeheartedly

to concur with Secretary of Agriculture Orville L. Freeman and Mrs. Esther Peterson, President Johnson's special assistant for consumer affairs, in their forthright reasons for rejecting including "special interests" in the food industry as Commission representatives.

We made our own position on this point clear on page 1 of this statement. In closing we wish to reemphasize this. California farmers have had years of experience with studies made for universities and research institutes with funds underwritten by the very business and industry interests they were expected to analyze. They should have no part in an objective investigation of the kind envisaged in House Joint Resolution 977. We have also had experience and so have Government regulatory agencies and congressional committees with refusal of these very interests to appear for questioning. The authority to subpoena witnesses by the proposed Commission, is, in our opinion, imperative.

We are living in a fast-changing, superoriented society—a society over which the individual, be he farmer, consumer, or independent businessman has little control, except through their elected representatives and the responsible departments of Government functioning through the administration in power in a given year.

We commend President Johnson for his awareness of the importance of the investigation into food marketing which he has initiated with the cooperation of Senators and Members of the House who are authoring the bills now before you.

Time is running out and we urge that House Joint Resolution 977 be given a prompt "do pass" and be sent to the floor for action. In this, you will have the warm support of that cross section of California which has for 23 years given a vote of confidence to the policies enunciated by the California Farm Research and Legislative Committee, not the least of which is the very measure which is before you.

Sincerely,

Mrs. GRACE McDONALD,
Executive Secretary.

Mr. POAGE. Are there others who care to be heard on this resolution?

If there is nobody else who cares to be heard, the hearings will come to an end.

The Chair wants to announce that it proposes to have a meeting tomorrow morning—I did announce that a while ago—but at the request of the minority leader, the meeting tomorrow morning will be postponed until Monday morning when we will have an executive session of this committee to consider this and other matters.

(Whereupon, at 12:20 p.m. the hearing adjourned.)



LEGISLATIVE HISTORY

Public Law 88-354
S. J. Res. 71

TABLE OF CONTENTS

Index and summary of S. J. Res. 711
Digest of Public Law 88-3542

INDEX AND SUMMARY OF S. J. RES. 71

- Apr. 26, 1963 Sen. McGee introduced and discussed S. J. Res. 71 which was referred to the Senate Commerce Committee. Print of bill and remarks of Sen. McGee.
- Apr. 1, 1964 Senate received President's letter transmitting draft bill.
- Consent granted to amend S. J. Res. 71, so as to substitute language of draft bill submitted by the President. Print of S. J. Res. 71 as amended.
- Apr. 6, 1964 House received President's draft bill.
- Rep. Cooley introduced H. J. Res. 977, Rep. Roosevelt H. J. Res. 979, Rep. Kastenmeier H. J. Res. 980, and Rep. Olson, Minn. H. J. Res. 983. (H. J. Res. 978, 979, 980 and 983 were not printed.) Remarks by Rep. Roosevelt and Rep. Kastenmeier.
- May 11, 1964 House committee voted to report H. J. Res. 977.
- May 12, 1964 Senate committee reported S. J. Res. 71 with amendments. S. Report No. 1022. Print of bill and report.
- May 13, 1964 House committee reported H. J. Res. 977 with amendments. H. Report No. 1401. Print of bill and report.
- May 18, 1964 Senate passed S. J. Res. 71 with amendments.
- May 21, 1964 House Rules Committee deferred action on H. J. Res. 977.
- May 26, 1964 House Rules Committee granted an open rule.
- May 27, 1964 House Rules Committee reported resolution for the consideration of H. J. Res. 977.
- June 4, 1964 House passed H. J. Res. 977, subsequently vacated action and passed S. J. Res. 71, in lieu of H. J. Res. 977.
- House conferees were appointed.
- June 5, 1964 Senate conferees were appointed.
- June 12, 1964 Sen. Magnuson requested Senate to concur in House amendment to S. J. Res. 71.
- June 15, 1964 House returned S. J. Res. 71 to Senate as requested.

INDEX AND SUMMARY OF S. J. Res. 71, cont'd

June 19, 1964 Senate concurred in House amendments to S. J. Res. 71.

July 3, 1964 Approved: Public Law 88-354.

Hearings: Senate Commerce Committee on S. J. Res. 71,
Parts 1 and 2.

House Agriculture Committee on H. J. Res.
977.

DIGEST OF PUBLIC LAW 88-354

ESTABLISHMENT OF A NATIONAL COMMISSION ON
FOOD MARKETING.

Establishes a bipartisan National Commission on Food Marketing to study, appraise, and document the changing structure of the marketing system for farm and food products; identify the problems raised for various segments of our society by those changes; and indicate appropriate actions that Government, private enterprise, or individuals can take to facilitate needed adjustments or to improve the marketing structure.

The Commission is to be composed of 15 members, including five Members of the Senate, to be appointed by the President of the Senate; five Members of the House of Representatives, appointed by the Speaker; and five members to be appointed by the President from outside the Federal Government; and is required to make a final report of its findings and conclusions to the President and to the Congress by July 1, 1965.

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88TH CONGRESS
1ST SESSION

S. J. RES. 71

IN THE SENATE OF THE UNITED STATES

APRIL 26, 1963

Mr. McGEE introduced the following joint resolution; which was read twice
and referred to the Committee on Commerce

JOINT RESOLUTION

To authorize and direct the conduct by the Federal Trade Commission of a comprehensive investigation of chainstore practices which may be in violation of the antitrust laws, and for other purposes.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*
3 That the Federal Trade Commission is authorized and di-
4 rected, pursuant to section 6 (d) of the Federal Trade Com-
5 mission Act (15 U.S.C. 46 (d)), to—

6 (a) conduct a full and complete investigation of the
7 purchasing, processing, marketing, and pricing practices
8 of chainstore operators engaged in commerce (as that
9 term is defined by section 4 of the Federal Trade Com-

mission Act) with a view to determining whether any of such practices are in violation of provisions of the antitrust laws; and

(b) transmit to the Congress at the earliest practicable time a report which shall include a comprehensive statement of (1) the facts and circumstances disclosed by such investigation, (2) the action taken or contemplated by the Commission with respect to any violations of law disclosed by such investigation, and (3) such recommendations for further legislation as the Commission may deem appropriate for the elimination of any restraints of trade or noncompetitive practices disclosed by such investigation which are not effectively controlled by present provisions of the antitrust laws.

SEC. 2. There are hereby authorized to be appropriated to the Federal Trade Commission such sums as may be required to carry into effect the provisions of this joint resolution.

JOINT RESOLUTION

To authorize and direct the conduct by the Federal Trade Commission of a comprehensive investigation of chainstore practices which may be in violation of the antitrust laws, and for other purposes.

By Mr. McGEE

APRIL 26, 1963

Read twice and referred to the Committee on
Commerce

soon introduce an identical bill in the House.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 1384) to amend the National School Lunch Act so as to permit the serving of school lunches to children attending kindergarten in certain non-profit private schools, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

AUTHORIZING THE ATTORNEY GENERAL TO SUE FOR THE PROTECTION OF THE CONSTITUTIONAL RIGHT TO THE EQUAL PROTECTION OF THE LAWS

Mr. DOUGLAS. Mr. President, for myself, the senior Senator from Minnesota [Mr. HUMPHREY], the senior Senator from Pennsylvania [Mr. CLARK], and the junior Senator from Michigan [Mr. HART], I introduce a bill authorizing the Attorney General to sue for the protection of the constitutional right to the equal protection of the laws.

I ask unanimous consent that the text of the bill be printed in the RECORD at the conclusion of my remarks and that the bill may be held at the desk for additional cosponsors until the close of business May 1.

The VICE PRESIDENT. Is there objection to the request of the Senator from Illinois? The Chair hears none, and it is so ordered.

Mr. DOUGLAS. Mr. President, this bill will be recognized as a revision of so-called title III legislation previously before the Senate. Such legislation was first debated by the Congress in 1957 in a form in which the Attorney General was authorized to sue for the protection of constitutional rights "in the name of the United States but for the benefit of the real party in interest." It was then urged that the principal need for the title III proposal was based on the inability of many Negro citizens, because of lack of means and because of physical and economic coercion, to sue for the vindication of their constitutional rights. This element was also emphasized in a modified title III proposal which I first introduced in 1958—as part of S. 3257—and which has since been sponsored and supported by many of my colleagues. The modified proposal, which was last introduced by me in the 87th Congress in S. 1434, authorized the Attorney General to sue whenever a person or group of persons is unable to seek effective legal protection for the right to the equal protection of the laws.

The title III proposal which I am offering today both simplifies and broadens the previous proposals for action by the United States to redress constitutional rights through judicial action. Under the new bill the Attorney General may sue whenever there is a threat to deprive any person of the right to equal protection of the laws because of race, color, religion, or national origin. The concept of "real party in interest" and the limitation to cases where private persons are unable to sue for the redress of their own rights, have been eliminated from this bill.

It is too often true that while Congress merely marks time on necessary legislative reform the Nation moves ahead. This certainly has been the case with respect to proposals enabling the Attorney General to sue for the vindication of the right of citizens to the equal protection of the laws. Since the first legislative proposal to authorize suits by the Attorney General on behalf of individual Negro citizens and those of other minorities who are unable freely to vindicate their own rights through judicial suits, there has emerged a new doctrine of Federal intervention to protect the constitutional rights of citizens. This doctrine recognizes the direct obligation of the United States to preserve the Constitution through judicial action, all apart from the ability or inability of individual citizens to vindicate their own constitutional rights. For when the Constitution is violated, the Department of Justice has the right to intervene in order to defend the Constitution. And we should never forget that the 14th and 15th amendments are as integral parts of the Constitution as any other provisions of that great document.

The recognition that there was a national obligation to secure general compliance with the 14th amendment probably first emerged at the time of the Little Rock crisis, when the Federal Government provided massive intervention for the preservation of the Constitution. The obligation of the Federal Government to secure constitutional rights generally was next given recognition in the 1960 Democratic Party platform calling for nationwide "first step compliance" by 1963 with the school desegregation mandate. Since that time, in the freedom ride protest and the aftermath of new Federal regulations, and in a variety of situations calling for the intervention of the Attorney General, we have more and more come to recognize the direct interest of the United States in securing general compliance with the equal protection of the law guarantee.

The legislation I introduce today is predicated on our renewed awareness that great constitutional rights and their observance are not merely matters of private concern—that as a nation and a society we have a direct and impelling stake in the achievement of a living Constitution. Accordingly, this bill would authorize the Attorney General to sue for the preservation of the constitutional right to equal protection whenever and wherever there exists a threat that equal protection will be denied to any person in the land because of race, color, religion or national origin.

I call upon my colleagues in this Congress for their earnest support in the enactment of this legislation. I know of no more urgent matter today, 100 years after emancipation, than the achievement of the equal treatment for our millions of Negro citizens which remains in so many sections and areas of our national life a mere constitutional promise rather than a living constitutional right. We can go and we will go a long way toward achievement of our constitutional ideal, if we will at least authorize the Attorney General in the name of the

United States to seek general compliance throughout the Nation with the equal protection guarantee of the 14th amendment.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, in accordance with the previous unanimous consent granted, the bill will be printed in the RECORD and held at the desk until the close of business May 1.

The bill (S. 1389) to authorize the Attorney General to sue for the protection of the constitutional right to the equal protection of the laws, introduced by Mr. DOUGLAS (for himself and other Senators), was received, read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1980 of the Revised Statutes (42 U.S.C. 1985) is amended by adding thereto a paragraph (4) to read as follows:

(4) Whenever any person has engaged or there are reasonable grounds to believe that any person is about to engage in any act or practice which would deprive any other person, contrary to the Fourteenth Amendment to the Constitution of the United States, of the equal protection of the laws because of race, color, religion or national origin, the Attorney General may institute for the United States, or in the name of the United States, a civil action or other proper proceeding for preventive relief, including an application for a permanent or temporary injunction, restraining order or other order. The district courts of the United States shall have jurisdiction of proceedings instituted pursuant to this Act."

NATIONWIDE ACCELERATED TIME PERIOD FOR JUNE, JULY, AND AUGUST

Mr. ROBERTSON. Mr. President, I introduce for appropriate reference a bill to create a nationwide accelerated time period for the summer months of June, July, and August. I am prompted to do this now, notwithstanding that it is a relatively minor matter as compared with the great issues that confront Congress.

On Sunday morning, the time in the District of Columbia will change; and the change will create a great deal of confusion. Of necessity, Government workers who live in the adjoining areas of Virginia and Maryland must operate on the same time as that which is in effect in the District, so their time will change. But outside the 10th District of Virginia, the other 9 districts will remain on standard time until the last of May. Then they will go on fast time and will continue on fast time until the last of August.

In World War I, we had the fast time, partly as a war measure calculated to increase production. That was done under the constitutional right of Congress to provide for interstate commerce and also to provide for weights, measures, and so forth. Following that war, the farmers—especially those in the dairy areas of Minnesota, Wisconsin, and Virginia—objected so much to getting up before daylight that Congress repealed daylight saving. President Wilson vetoed that act, but it was passed over his veto.

So we drifted on, with some States and the District of Columbia thereafter having daylight saving, until we inaugurated it again during World War II. As I recall, during that war daylight saving was in effect for so long a period of time that we would be getting up in the night time, just to reach our offices by 9 a.m. Of course that situation was so objectionable to so many persons that Congress repealed that act.

So what do we find now? The railroads, the airplanes, and the buses operate on standard time; but they must have schedules which show the time of arrival at and the times of departure from terminals which operate on a different time. It costs the railroads alone \$500,000 to have those additional schedules, and probably it costs the airplane companies \$250,000. That involves large expense for all the transportation agencies.

Those of us who live in Virginia have to know, when we have a speaking engagement, where it is. If it is in the 10th District, it is on one time; if it is elsewhere, it is on another time; and that situation continues until the last of May, before it changes.

Mr. President, all of us know that daylight saving is primarily for the benefit of the office workers; it gives them more leisure time in the daylight hours during the spring and summer months.

However, we also know that it is not fair to the farmers—who have to get their produce to the markets early—to have to get up an hour before daylight in the spring; and we should try to reconcile the interests of the farmers, and also the interests of the schoolchildren, who have to get on the school buses at 8 a.m., and in some cases earlier, both in the spring and in the fall.

So, Mr. President, with a view to being fair to the farmers and the schoolchildren, and also to reaching a compromise with the interests of the office workers, who presumably would like to have daylight saving in effect from late in April until some time in October, I believe, I am proposing that we have daylight saving for only 3 months—June, July, and August.

I hope very much that the committee to which the bill will be referred will give it early consideration. I do not assume that the bill can be acted on within a week or two; but certainly it can be acted on in time to end daylight saving for the Nation by the end of August. The bill will provide that it applies to the entire Nation; and also—in keeping with the decision of the Supreme Court that when Congress fully covers a field, the States are precluded from acting in it—the bill will provide that no State law in conflict with this daylight saving measure shall be passed. So the law will be uniform. In my opinion, it will be fair to all concerned; and it will prevent a great deal of confusion.

Again, I say I hope the Senate will act promptly on this measure. Of course, this is not a vital matter; but the present situation can cause a great deal of unnecessary trouble and inconvenience.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 1394) to establish daylight saving time uniformly throughout the United States during the months of June, July, and August of each year, introduced by Mr. ROBERTSON, was received, read twice by its title, and referred to the Committee on Commerce.

FEDERAL TRADE COMMISSION INVESTIGATION RESOLUTION

Mr. McGEE. Mr. President, in recent weeks I have spoken to this body on my concern over the decline in beef prices. At the time I pointed out that the combination of circumstances surrounding the decline of those prices indicated to me that factors other than the traditional ones of supply and demand were at work in the marketplace.

In conjunction with those remarks I wrote a letter to Mr. Rand Dixon, Chairman of the Federal Trade Commission, suggesting that an investigation by his agency was in order to determine why in those market fluctuations very few if any of the savings resulting from the reduction of the producer's income were passed on to the consumer. It appeared to me that there is a very strong possibility that some of the large chain stores were using their mass purchasing power to influence the market in their favor.

My original concern was over beef but as I looked further into the pricing practices of the chainstores, circumstances very similar to those that occurred with respect to livestock appeared in other commodity markets where the chain stores are large purchasers. There has been considerable fluctuation in prices of baked goods, milk, and various canned goods in areas served by the large grocery chains.

As a result of these findings, Mr. President, I am introducing today a joint resolution to direct the Federal Trade Commission to conduct a full and complete investigation of the purchasing, processing, marketing, and pricing practices of chainstore operators with a view to determining whether any of such practices are in violation of provisions of the antitrust laws. This joint resolution further provides that the FTC shall transmit to the Congress its findings, a report of any action taken, and such recommendations for further legislation as the Commission believes appropriate.

Mr. President, too many self-styled defenders of the free enterprise system spend a lot of time paying lip service to the small independent operator and praising the virtue of initiative and competition but are strangely silent when the small businessman or the farmer is being squeezed by the industrial and commercial giants that develop in a free society.

It is the job of our Government to protect our citizens from unfair competition in the marketplace. This is indeed an onerous assignment, for there is a very thin line between protection and restriction and yet that line must be drawn. I would emphasize that I am not opposed to size per se.

Supermarkets have a right to be large-scale operations and if they are able

because of large-scale purchasing to offer goods at a lower price I would consider this a demonstration of the validity of the law of supply and demand. The growth and development of the chainstore has certainly contributed much to the reduction of the cost of food to the American family and the great increase in variety and quality of foodstuffs we have enjoyed since the end of World War II.

But size in a commercial enterprise creates the ability to squeeze little competitors out of the market or to force demands of performance or price upon suppliers. Therefore size does create the necessity for supervision. History has ample illustrations to demonstrate there are always those quite willing to use their power unfairly if given the opportunity.

I am convinced, Mr. President, that this joint resolution would be in the best interests of the consumer, the producer, and indeed the middleman himself. For certainly if there are unfair practices and they are allowed to grow until they become blatantly obvious, not only those who are guilty of these practices but our whole free enterprise system will be discredited. And already many complaints about chainstore pricing have been received in Washington.

In his reply to my letter Mr. Dixon said:

It has been our observation, based upon complaints and past as well as current investigations and formal actions, that the activities of the various chainstores are indeed difficult, if not impossible, to understand under our system of free, competitive enterprise. I suspect that much of the trouble is occasioned by the vertical integration not only of the meat industry but also of the food industries as a whole and of the chainstores as well.

Mr. President, in the interests of justice and fairplay I think it imperative that the suspicion cast upon these chainstore operations be ended and I can see no better way to do that than by an impartial investigation. Honor in the marketplace is one of the touchstones of our free enterprise system and must be preserved at all costs.

Mr. President, I introduce, for appropriate reference, the joint resolution.

The VICE PRESIDENT. The joint resolution will be received and appropriately referred.

The joint resolution (S.J. Res. 71) to authorize and direct the conduct by the Federal Trade Commission of a comprehensive investigation of chainstore practices which may be in violation of the antitrust laws, and for other purposes, introduced by Mr. McGEE, was received, read twice by its title, and referred to the Committee on Commerce.

OLYMPIC GAMES OF 1968—RESOLUTION

Mr. HART. Mr. President, one of the recurring events which combine drama and excitement and national cooperation is the Olympic games.

It has been 34 years since the United States served as the host to these events, which attract the interest and spark the

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued April 2, 1964
For actions of April 1, 1964
88th-2nd; No. 60

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HIGHLIGHTS: Senate received President's request to establish commission to study food industry. Senate committee reported Jacobson nomination. Senate subcommittee approved Interior appropriation bill.

SENATE

1. FOOD INVESTIGATION. Received the President's letter transmitting a draft bill to provide for the establishment of a bipartisan commission to conduct an investigation of the food industry; to Commerce Committee. The President stated that information "is not now available to permit an informed judgment concerning the effect of the recent changes in the food industry" and that the commission "would gather the necessary information and report to the Congress, the President, and the public." At the request of Sen. McGee, consent was granted to amend his resolution, S. J. Res. 71, now being considered by the Commerce Committee, so as to substitute the language of the draft bill submitted by the President. pp. 6484-6
2. NOMINATIONS. The Agriculture and Forestry Committee reported the nomination of Dorothy Jacobson to be an Assistant Secretary of Agriculture and a member of the CCC Board of Directors. p. 6479
Received the nominations of Marion A. Clawson and David G. Gault to be members of the Federal Farm Credit Board, Farm Credit Administration. p. 6538
3. APPROPRIATIONS. A subcommittee of the Appropriations Committee voted to report to the full committee with amendments H. R. 10433, the Department of the Interior and Related Agencies Appropriation Bill, 1965 (includes the Forest Service). p. D245

Received from the Budget Bureau a letter reporting "that the appropriation to the Department of Agriculture for 'Expenses, Agricultural Stabilization and Conservation Service,' for the fiscal year 1964, had been apportioned on a basis which indicates the necessity for a supplemental estimate of appropriation." p. 6465

4. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill. pp. 6497-6538
5. MEAT IMPORTS. Received from the Ariz. House of Representatives a resolution urging establishment of quotas on meat imports. p. 6466
6. WATERSHEDS. The Agriculture and Forestry Committee approved the following watershed projects: Blockton, Iowa; Valley Creek, Ky.; Bear Creek, Mo.; 102 river tributaries supplemental, Mo.; and Hondo Creek, Tex. p. D245
7. FOREIGN TRADE. Sen. Pearson expressed his opposition to proposals of under-developed nations at the United Nations Conference on Trade and Development at Geneva "for international price support agreements for their major exports to the industrialized nations" and "a subsidy-like scheme to insure a minimum level of income from exports." p. 6483
8. INFORMATION. Sen. Hartke urged enactment of legislation to provide greater access to the public to information in Federal agencies. p. 6491
9. FOREIGN AGRICULTURE. Sen. Humphrey inserted an address by Ambassador Teodoro Moscoso, U. S. Representative to the Inter-American Committee for the Alliance for Progress, on economic and social developments in Latin America, including references to agricultural development. pp. 6493-6
10. MANPOWER. Received from Labor a report on manpower research and training for 1963. p. 6466
11. STOCKPILING. Received the report of the Joint Committee on Reduction of Non-essential Federal Expenditures on Federal stockpile inventories as of Jan. 1964 including CCC commodity inventories. pp. 6466-75
12. PERSONNEL; PAY. Received the report of the Joint Committee on Reduction of Non-essential Federal Expenditures on Federal employment and pay for Feb. 1964. pp. 6475-9
13. POVERTY. Sen. Young, O., was added as a cosponsor of S. Res. 305, to provide for the establishment of a Select Committee on Combating Poverty. p. 6538

ITEMS IN APPENDIX

14. MEAT PRICES. Extension of remarks of Sen. Hartke inserting Herrell DeGraff's, president of the American Meat Institute, address, "Livestock Price and Profit Outlook." pp. A1625-6
15. VETERANS' BENEFITS. Extension of remarks of Rep. St. Onge inserting a radio address dealing with the problem of extending the educational benefits of the GI bill of rights to veterans who have served since 1955, and suggesting that extension of these benefits would help to solve the present shortage of skilled manpower. p. A1627

88TH CONGRESS
2D SESSION

S. J. RES. 71

IN THE SENATE OF THE UNITED STATES

APRIL 26, 1963

Mr. McGEE introduced the following joint resolution; which was read twice
and referred to the Committee on Commerce

APRIL 1 (legislative day, MARCH 30), 1964

Amended by unanimous consent; title amended, and ordered to be printed

JOINT RESOLUTION

To establish a National Commission on Food Marketing to study
the food industry from the farm to the consumer.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*
3 That there is hereby established a bipartisan National Com-
4 mission on Food Marketing (hereinafter referred to as the
5 “Commission”).

6 SEC. 2. ORGANIZATION OF THE COMMISSION.—(a)
7 The Commission shall be composed of fifteen members, in-
8 cluding (1) five Members of the Senate, to be appointed
9 by the President of the Senate; (2) five Members of the
10 House of Representatives, to be appointed by the Speaker
11 of the House of Representatives; and (3) five members

1 to be appointed by the President from outside the Federal
2 Government.

3 (b) Any vacancy in the Commission shall not affect
4 its powers and shall be filled in the same manner as the
5 original position.

6 (c) Eight members of the Commission shall constitute
7 a quorum.

8 SEC. 3. COMPENSATION OF MEMBERS.—(a) Members
9 of Congress who are members of the Commission shall serve
10 without compensation in addition to that received for their
11 services as Members of Congress; but they shall be reim-
12 bursed for travel, subsistence, and other necessary expenses
13 incurred by them in the performance of the duties vested in
14 the Commission.

15 (b) Each member of the Commission who is appointed
16 by the President may receive compensation at the rate of
17 \$100 for each day such member is engaged upon work of
18 the Commission, and shall be reimbursed for travel expenses,
19 including per diem in lieu of subsistence as authorized by law
20 (5 U.S.C. 73b-2) for persons in the Government service
21 employed intermittently.

22 SEC. 4. DUTIES OF THE COMMISSION.—(a) The Com-
23 mission shall study and appraise the marketing structure of
24 the food industry, including the following:

1 (1) The actual changes, principally in the past two
2 decades, in the various segments of the food industry;

3 (2) The changes likely to materialize if present trends
4 continue;

5 (3) The kind of food industry that would assure effi-
6 ciency of production, assembly, processing, and distribution,
7 provide appropriate services to consumers, and yet maintain
8 acceptable competitive alternatives of procurement and sale
9 in all segments of the industry from producer to consumer;

10 (4) The changes in statutes or public policy, the orga-
11 nization of farming and of food assembly, processing, and
12 distribution, and the interrelationships between segments of
13 the food industry which would be appropriate to achieve a
14 desired distribution of power as well as desired levels of
15 efficiency; and

16 (5) The effectiveness of the services and regulatory
17 activities of the Federal Government in terms of present and
18 probable developments in the industry.

19 (b) The Commission shall recommend such actions by
20 Government or by private enterprise and individuals as it
21 deems appropriate.

22 (c) The Commission shall make such interim reports
23 as it deems advisable, and it shall make a final report to the
24 President and to the Congress by July 1, 1966.

1 SEC. 5. POWERS OF THE COMMISSION.—(a) The Com-
2 mission, or any member thereof as authorized by the Com-
3 mission, may conduct hearings anywhere in the United States
4 or otherwise secure data and expressions of opinions. In con-
5 nection therewith the Commission is authorized—

6 (1) to require, by special or general orders, corpora-
7 tions, business firms, and individuals to submit in writ-
8 ing such reports and answers to questions as the Com-
9 mission may prescribe; such submission shall be made
10 within such reasonable period and under oath or other-
11 wise as the Commission may determine;

12 (2) to administer oaths;

13 (3) to require by subpoena the attendance and testi-
14 mony of witnesses and the production of all documentary
15 evidence relating to the execution of its duties;

16 (4) in the case of disobedience to a subpoena or or-
17 der issued under paragraph (a) of this section to invoke
18 the aid of any district court of the United States in re-
19 quiring compliance with such subpoena or order;

20 (5) in any proceeding or investigation to order
21 testimony to be taken by deposition before any person
22 who is designated by the Commission and has the power
23 to administer oaths, and in such instances to compel

1 testimony and the production of evidence in the same
2 manner as authorized under subparagraph (3) and (4)
3 above; and

4 (6) to pay witnesses the same fees and mileage as
5 are paid in like circumstances in the courts of the United
6 States.

7 (b) Any district court of the United States within the
8 jurisdiction of which an inquiry is carried on may, in case
9 of refusal to obey a subpoena or order of the Commission
10 issued under paragraph (a) of this section, issue an order
11 requiring compliance therewith; and any failure to obey
12 the order of the court may be punished by the court as a con-
13 tempt thereof.

14 (c) The Commission is authorized to request directly
15 from the head of any Federal executive department or inde-
16 pendent agency available information deemed useful in the
17 discharge of its duties. All departments and independent
18 agencies of the Government are hereby authorized to co-
19 operate with the Commission and to furnish all information
20 requested by the Commission to the extent permitted by law.

21 (d) The Commission is authorized to enter into contracts
22 with Federal or State agencies, private firms, institutions, and

1 individuals for the conducting of research or surveys, the
2 preparation of reports, and other activities necessary to the
3 discharge of its duties.

4 (e) When the Commission finds that publication of any
5 information obtained by it is in the public interest and would
6 not give an unfair competitive advantage to any person, it is
7 authorized to publish such information in the form and
8 manner deemed best adapted for public use, except that
9 data and information which would separately disclose the
10 business transactions of any person, trade secrets, or names
11 of customers shall be held confidential and shall not be dis-
12 closed by the Commission or its staff: *Provided, however,*
13 That the Commission shall permit business firms or indi-
14 viduals reasonable access to documents furnished by them
15 for the purpose of obtaining or copying such documents as
16 need may arise.

17 (f) The Commission is authorized to delegate any of
18 its functions to individual members of the Commission or
19 to designated individuals on its staff and to make such rules
20 and regulations as it deems necessary for the conduct of
21 its business.

22 SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The
23 Chairman of the Commission is authorized, without regard
24 to the civil service laws and regulations or the Classification
25 Act of 1949, as amended, to appoint and fix the compensa-

1 tion of an executive director and such additional personnel
2 as may be necessary to carry out the functions of the Com-
3 mission, but no individual so appointed shall receive com-
4 pensation in excess of the rate authorized for GS-18 under
5 the Classification Act of 1949, as amended.

6 (b) The Chairman is authorized to obtain services in
7 accordance with the provisions of section 15 of the Act of
8 August 2, 1946 (5 U.S.C. 55a), but at rates for individuals
9 not to exceed \$100 per diem.

10 (c) The head of any executive department or inde-
11 pendent agency of the Federal Government is authorized to
12 detail, on a reimbursable basis, any of its personnel to assist
13 the Commission in carrying out its work.

14 (d) Financial and administrative services (including
15 those related to budgeting and accounting, financial report-
16 ing, personnel, and procurement) shall be provided the Com-
17 mission by the General Services Administration, for which
18 payment shall be made in advance, or by reimbursement,
19 from funds of the Commission in such amounts as may be
20 agreed upon by the Chairman of the Commission and the Ad-
21 ministrator of General Services: *Provided*, That the regula-
22 tions of the General Services Administration for the collec-
23 tion of indebtedness of personnel resulting from erroneous
24 payments (5 U.S.C. 46c) shall apply to the collection of
25 erroneous payments made to or on behalf of a Commission

1 employee, and regulations of said Administrator for the ad-
2 ministrative control of funds (31 U.S.C. 665 (g)) shall ap-
3 ply to appropriations of the Commission: *Provided further*,
4 That the Commission shall not be required to prescribe such
5 regulations.

6 (e) Ninety days after submission of its final report, as
7 provided in section 4 (c), the Commission shall cease to
8 exist.

9 SEC. 7. AUTHORIZATION OF APPROPRIATIONS. There
10 is hereby authorized to be appropriated such sums not in ex-
11 cess of \$2,500,000 as may be necessary to carry out the pro-
12 visions of this joint resolution. Any money appropriated pur-
13 suant hereto shall remain available to the Commission until
14 the date of its expiration, as fixed by section 6 (e).

S. J. RES. 71

JOINT RESOLUTION

To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

By Mr. McGEE

APRIL 26, 1963

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Western States are concerned. I might point out, further, that this cost is more apparent than real. The law commits the Government to redeem silver certificates on demand. Consider the labor and other costs involved in weighing out 77 grams of silver bullion and placing it in an envelope every time a holder of a silver certificate walks into the Treasury. That is what the Treasury will have to continue to do under existing law unless it has the funds to mint new silver dollars. There is such a thing as being paper wise and metal foolish. In the end, the denial of funds to mint the silver dollars may mean that the Government will pay far more in labor and other costs as it strives to meet its obligations by measuring out raw silver. If silver bullion is to replace the silver dollar, we may have to appropriate extra funds to pay for the process of weighing and enveloping the bullion. Further, in the light of the bill introduced by my distinguished colleague, the junior Senator from Montana [Mr. METCALF], the Government may be losing out on an opportunity to reap a seigniorage from a new minting of silver dollars which might more than repay the cost of the operation. Senator METCALF's bill would authorize the reduction of the silver content in the silver dollar from 900 to 800 grams. I do not know whether this is the precise reduction that is needed to keep these coins in circulation; I am sure that the members of the Banking and Currency Committee will be able to make that determination especially in view of the fact that today the hearings on the Metcalf bill were started, the witnesses being the distinguished Senators from Nevada [Mr. BIBLE and Mr. CANNON].

Senator METCALF's bill points the way to overcoming the primary objection that has been raised against the appropriation of funds to mint the 50 million new cartwheels. And, enacted into law, it would have the effect of diminishing the hoarding of silver dollars—one of the principal reasons why free circulation of silver dollars is imperiled today. Indeed, the great run on the Treasury's supply did not begin in earnest until there were reports that no more silver dollars would be minted.

Mr. President, I urge the Senate not to fiddle while the silver dollar melts—while the symbol of hard money, of poor man's money, disappears from our midst. We ought not to dismiss the cause of the silver dollar as unimportant. This is not a tempest in a teapot. There is a deep resentment and an understandable reaction of public dismay at the imminent passing of a coin which for more than a century has existed and continues to exist in our midst as a reminder of the past and as a functional and preferred medium of exchange even today. If we fail to act, Mr. President, we do so at the expense of the small merchant in the West, and to the chagrin of decent, hardworking and honest folk who prefer the cartwheel both as money and as distinctive tradition.

They like the feel of heft in their pockets. To them, the jingle of silver dollars is the sound that signifies liquidity. It is the echo of cash on the barrelhead. They prize it, Mr. President, as the New

Yorker might prize the Empire State Building; as the Californian, the Hawaiian or the Floridian, might prize year-round sunshine; as the southerner, black-eye peas; as a New Englander, a lobster and baked beans; and as a Texan, a 10-gallon hat.

I would hope, Mr. President, and I am sure that the distinguished chairman of the Banking and Currency Committee [Mr. ROBERTSON] will see to it, that the Senate will have an opportunity to consider, at the earliest possible time, the bill sponsored by Senators METCALF, BIBLE, BARTLETT, CANNON, CHURCH and myself, to reduce the silver content of the silver dollar. And I would hope, Mr. President, that the Committee on Appropriations of the House of Representatives will vote to allow the Treasury sufficient funds to mint a new and adequate supply of silver dollars. We do not want the cartwheel to go the way of the dodo bird.

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Mr. PEARSON. Mr. President, last week, for 3 days I attended as a representative of the U.S. Senate, the United Nations Conference on Trade and Development at Geneva, Switzerland, represented by 122 nations. The underdeveloped nations, or developing nations, of Asia, Africa, and Latin America, have served to promote this conference with a hope of achieving substantial revisions of world trade policies. Such revisions, they contend, are absolutely essential for their economic development and the eventual increase in their present standard of living.

The proposed revisions would be implemented at the expense of the large industrial nations such as the United States and the countries of Western Europe. The underdeveloped nations are calling for international price support agreements for their major exports to the industrialized nations. A Peru tin exporter, for example, would be insured a fixed price regardless of the world market price.

The underdeveloped countries have also proposed a subsidy-like scheme to insure a minimum level of income from exports. If, for example, the world price of commodities were to fall below a certain level, the industrial nations would make up the difference to the underdeveloped countries by a direct subsidy payment.

An additional concession has been requested, called "nonreciprocal tariff preferences." An arrangement of this sort would require the industrialized countries to accept exports from the underdeveloped nations tariff free. Our exports to them, however, would be subject to tariffs.

Spokesmen for the United States expressed disapproval of these proposals. In this instance, I feel that our initial position is basically correct, although I have often opposed the aid and trade policies of this administration. Fixed prices, direct subsidies, and tariff-free imports are foreign aid by other names. The first two devices mean higher import prices for the American consumer.

Tariff-free imports represent a significant trading concession on our part.

Our position, as now stated, is that the underdeveloped countries could only expect real economic progress after they had tidied up their own financial houses. The rampant inflation and political instability of these countries discourages important foreign investment in their economies. The United States also stressed the importance of regional trading groups among the underdeveloped. Efforts of this sort, we contend, will do vastly more for these countries than additional programs of "foreign aid."

It is anticipated that the work of this conference will continue into the summer of this year. We would be well advised to watch its progress, particularly as these negotiations have an official unassociated but practical relationship to the GATT trade negotiations.

Our initial position will not be received as a beneficial or perhaps even as a co-operative representation, but it is my understanding that our very able representatives at this conference believe that we should frankly and clearly state our position. The plain truth now may be a disappointment. This is an encouraging sign that the United States is viewing world trade and foreign aid with a realistic approach.

BROWN UNIVERSITY GLEE CLUB VISITS WASHINGTON

Mr. PASTORE. Mr. President, when the Brown University Glee Club comes to Washington on Friday of this week they make a return visit—after an interval of 42 years—to the National Baptist Memorial Church for their annual concert. The earlier occasion was the laying of the cornerstone of the Washington church at 16th Street and Columbia Road NW.

In addition, on the afternoon of Friday, April 3, at 3 p.m., the glee club will appear in the rotunda of the Old Senate Office Building in a brief tribute in song.

I have the honor to be a member of the board of trustees of Brown University and honorary cochairman with Congressman WILLIAM B. WIDNALL for the concert.

Although founded by the Baptists of Rhode Island, Brown University in its charter from the first specified no religious test and complete liberty of conscience as becomes the State of Roger Williams.

Roger Williams was the first pastor of the First Baptist Church at Providence, and in that historic structure the diplomas of Brown graduates are awarded on commencement day.

So this concert is a pleasant gesture to the tolerant Rhode Islanders who, 200 years ago, founded this university with the specific provision that "the sectarian differences of opinions shall not make any part of public or classical instruction."

It is probably a play on words to suggest that the harmony of the university is exemplified by its glee club. But the Washington Star of Saturday, March 28, on its religious page, gave special mention to the forthcoming event, and I ask unanimous consent that it be printed in the Record at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE HUMAN SIDE OF RELIGION: THREE ALUMNI
TO NOTE 1922 CHURCH EVENT

(By Caspar Nannes)

Three members of the Brown University Glee Club who sang at the cornerstone laying of National Baptist Memorial Church 42 years ago will observe the occasion by attending a current glee club concert at 8:15 p.m., next Friday in the church, 16th Street and Columbia Road NW.

The three, now working and living in Washington, are Edward R. Place, Earle V. Johnson, and Theodore L. Sweet. Mr. Place, class of 1924, is Washington Brown Club president and general chairman for the concert. Mr. Johnson, 1924, is serving as secretary of the local group and Mr. Sweet, 1922, as director.

Coming from New York to celebrate the event is Chester S. Stackpole, 1922, who directed the Brown Glee Club at its 1922 concert here. Among those in the club were Thomas G. Corcoran, of Washington, a classmate.

SANG AT 1922 CEREMONY

On April 22, 1922, the Brown Glee Club sang at the ceremony when the cornerstone was put into place by Charles Evans Hughes, then Secretary of State and later Chief Justice of the Supreme Court. An alumnus of Brown, the 1916 Republican presidential candidate gave a notable address on "Baptists and Religious Liberty."

A year earlier another Baptist, President Warren G. Harding, had broken ground for the imposing church on upper 16th Street.

Representative WIDNALL, Republican, of New Jersey, who was graduated from Brown in 1926, is serving as honorary chairman of the concert with Senator PASTORE, Democrat, of Rhode Island. The latter is a trustee of Brown University and recipient of its honorary doctor of laws degree.

BROWN'S BICENTENNIAL

Brown University, founded in 1764 at Warren, R.I., is this year observing its bicentennial. It is the seventh oldest college in America and the glee club tour to the Nation's Capital is a major spring event of the celebration.

The university, started by Baptists as Rhode Island College, had a charter providing absolute liberty of conscience for students and faculty and prohibiting religious tests.

The school moved to Providence, R.I., in 1770. Thirty-four years later the name was changed to Brown University in recognition of a large gift to the institution by Nicholas Brown. National Baptist Church will be host to the glee club at a 6:30 p.m. dinner next Friday. Dr. Walter Pope Binns, interim minister and retired president of William Jewell College, Liberty, Mo., will welcome the touring group. Senator PASTORE will respond for the local Brown Club. Chairman of the dinner is Richard H. Howland, 1931, head curator of the Museum of History and Technology, Smithsonian Institution.

Mr. PASTORE. Mr. President, I invite all Members of the Senate and their staffs to come to the rotunda of the Old Senate Office Building at 3 o'clock on next Friday. They will be presently surprised by the melodious voices coming from students of Brown University in the glorious State of Rhode Island.

NATIONAL COMMISSION ON FOOD
MARKETING — COMMUNICATION
FROM THE PRESIDENT

The ACTING PRESIDENT pro tempore laid before the Senate the follow-

ing communication from the President of the United States, which was read, and with the accompanying papers, referred to the Committee on Commerce:

THE WHITE HOUSE,
Washington, D.C., April 1, 1964.

Hon. CARL HAYDEN,
President pro tempore of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: I recommend that the Congress enact legislation establishing the bipartisan Commission to study and appraise the changes taking place in the American food industry. Enclosed is a draft bill which will accomplish this.

The growth and stability of our entire economy depends, to a large extent, upon the food industry. Its vitality and strength are important to the farmers, processors, distributors, and retailers who depend upon it for their livelihood. Its practices affect all of us as consumers.

Information is not now available to permit an informed judgment concerning the effect of the recent changes in the food industry. We do not know whether the benefits of advanced technology are being fairly distributed among farmers, processors, distributors, retailers, and consumers. We do not know whether shifts in bargaining power require new laws. We do not know enough about the new character of the industry to determine the extent of the benefits and the need for any relief from hardship which may be necessary.

The Commission would gather the necessary information and report to the Congress, the President, and the public.

In addition to the draft bill, there is also enclosed a memorandum from the Secretary of Agriculture explaining the need for the legislation in more detail.

Sincerely,

LYNDON B. JOHNSON.

Mr. McGEE. Mr. President, the food industry of the United States is an important sector of the total economy, which involves expenditures of about \$70 billion per year at retail, employs about 11 million wage earners, daily touches the life of every American consumer, and significantly affects the stability and growth of the American economy.

In the past two decades, significant changes have occurred in the relationships among components of the food industry and in market organization, production, processing, and distribution of food and food products.

These changes involve the nature and extent of integration and diversification, supply sources and relationships, and prices and other terms of sale at the several stages of production, processing, and distribution of food and food products.

Government, industry, and the public urgently need information to sustain informed judgments on the nature, causes, and effects of these changes.

It is clearly essential that a comprehensive and objective inquiry be made into the nature, causes, and effects of changes in the food industry to determine desirable objectives in the public interest.

Therefore, Mr. President, it is exceedingly appropriate that the Senate has received a proposal from the President of the United States to establish a National Commission on Food Marketing, a bipartisan group, which would examine into the problems of food marketing from the farm to the consumer.

I ask unanimous consent that the joint resolution (S.J. Res. 71), now being considered by the Committee on Commerce, be amended to establish a bipartisan National Commission on Food Marketing, on the order of the President's message.

The ACTING PRESIDENT pro tempore. The Chair will state to the Senator from Wyoming that, in a parliamentary situation of this kind, unanimous consent is required, inasmuch as the joint resolution is before a committee, and not pending in the Senate.

Is there objection to the unanimous-consent request of the Senator from Wyoming?

Mr. ELLENDER. Mr. President, what was the request? I did not hear it.

The ACTING PRESIDENT pro tempore. The Senator from Wyoming has asked unanimous consent to amend a joint resolution that he introduced. The joint resolution is now pending before a committee, and is not before the Senate. In a situation of this kind, unanimous consent is required.

Is there objection? The Chair hears none, and the request of the Senator from Wyoming is granted.

Mr. McGEE. Mr. President, this Commission, proposed by President Johnson, would be composed of 15 members, including 5 from the Senate, to be appointed by the President of the Senate; 5 from the House of Representatives, to be appointed by the Speaker of the House; and 5 members to be appointed by the President from outside the Federal Government.

In this bill the Commission is charged with the responsibility to study and appraise the marketing structure of the food industry, including the following specific areas:

First. The actual changes, principally in the past two decades, in the various segments of the food industry;

Second. The changes likely to materialize if present trends continue;

Third. The kind of food industry that would assure efficiency of production, assembly, processing and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

Fourth. The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

Fifth. The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

The Commission also shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate and shall make such interim

reports as it deems advisable. It shall make a final report to the President and to the Congress by July 1, 1966.

Mr. President, I would note that this bill provides that the Commission, and I quote:

Is authorized to request directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties.

This specifically would make available to the Commission the wealth of material already collected by the Federal Trade Commission and the Departments of Agriculture and Commerce and would allow the material in any pending FTC investigation, such as envisaged in the original version of Senate Joint Resolution 71, to be utilized.

Mr. President, on this day the Congress, the administration, and indeed the entire American public have taken the first step in what may be one of the most important investigations of this century.

The action of President Johnson in sending to the Congress his proposal to establish a bipartisan national commission to conduct a sweeping investigation into the pricing, marketing, distribution, and competitive practices of the giant food chains that have developed in this country since the end of World War II shows a real awareness of a problem that is creating a radical change in our traditional free enterprise system and shows a determination to make sure that that change is in the public interest.

Human endeavors have always been marked by the tendency on one hand for the strong and the powerful to use their strength and power to their own benefit and, on the other hand, of the many to band together to protect themselves from the onslaught of the power juggernauts that would ride roughshod over their rights and privileges as members of a free society. The maxim that power corrupts is as true in the realm of economics as it is in politics.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. McGEE. Mr. President, I ask unanimous consent that I may have an additional 2 minutes, to complete my statement.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. McGEE. Mr. President, in the history of our Nation we have ample precedent for a justified suspicion that whenever one segment of the economy gathers into its own hands a sizable portion of the distribution and marketing of a product or group of products, the general public may be victimized by monopolistic practices and inequitable profiteering.

The State of Wyoming has a long history of fighting against the machinations of the large corporate interests who have sought to take advantage of their size and our lack of it to deny the farmer, the stockman, and the miner a fair return on his investment of money, toil, and initiative.

Mr. President, it took a minor revolution to overcome the excesses of the monopolists in the last years of the 19th

century. For at that time the excesses were established practices before they became so obvious as to move the public to restrain them. We can profit from our history by moving now, before further damage is done, to investigate this new concentration of power and determine what changes, if any, need be made so that both the private gain and the public good are served.

Mr. President, President Johnson's proposal to exercise the responsibility of Government to promote the public interest brings to mind another such activity with which Wyoming is proud to be associated. I refer to the Temporary National Economic Committee which conducted 3 years of hearings under the direction of the late, revered Senator Joseph C. O'Mahoney of Wyoming. Although its function was interrupted by the outbreak of war, the TNEC did much to point out the potential for arbitrary regimentation of our economic life for the comfort of the few at the deprivation of the many. I am proud to have had Senator O'Mahoney as my mentor and I hope that some of his burning dedication for fairplay in the marketplace, his zeal to protect the public interest, his total commitment to the economic independence of our free enterprise system may be continued by those who serve here today. The President's proposal, which I have introduced here today, should follow this pattern of dedicated service established by Senator Joe O'Mahoney through the TNEC.

In fact, the questions for which this Commission will seek answers were very well propounded by a staff member of Senator O'Mahoney's TNEC and another representative of the State of Wyoming, Judge Thurman Arnold. Writing in August, 1938, Judge Arnold said:

The line between efficient mass production and industrial empire building cannot be drawn in the abstract—it requires the exercise of judgment on two questions. The first is: Does the particular combination go beyond the necessities of efficient mass production and become an instrument of arbitrary price control? The second question is: Does any particular arrangement affecting marketing practices tend merely to create orderly marketing conditions in which competitors can exist, or is it an instrument to maintain rigid prices?

All of us are familiar with the postwar phenomenon of the chainstore. These miracles of modern merchandising have transformed the face of America. They are exhibited at foreign trade fairs as an example of our new approach to the ever present problem of feeding a nation. They form the nucleus of another new development, the suburban shopping center. The significance of the change in food merchandising can be illustrated by a few statistics. The average food store of 30 years ago had 800 square feet of floor space and offered 867 different items for sale. This store could be established at an average cost of \$2,000 for fixtures and inventory. Today's supermarket contains 20,000 square feet of floor space, sells 6,000 different items and costs between \$250,000 and \$1 million to establish.

The neighborhood grocer, the small entrepreneur who knew his customers by

name, who could offer advice on the bargain of the day and who would often deliver to the kitchen door has joined the blacksmith and harnessmaker as victims of the march of progress. More than 140,000 of these "momma and poppa" stores—as some people call them—are no more. Some of us may not want our meat wrapped in plastic and our tomatoes in cellophane, but we accept them that way as a concession to the pace of space age world.

Mr. President, it should be apparent to all that this revolution in merchandising is now an established fact, the period of transition is over. As this new principle is now established in our American way of life it is time—as the President has so carefully stated—to examine this giant to determine how he intends to use his strength and potential. And already there are significant indications that some of these corporate muscles are being fixed to do violence to the traditional concepts of supply and demand that for centuries have set standards for cost and quality.

The Committee on Commerce is presently conducting hearings on a resolution which I introduced here about 1 year ago. This resolution—Senate Joint Resolution 71—requests the Federal Trade Commission to conduct a study of the purchasing, processing, marketing, and pricing practices of food chain operators. These hearings have been centered around the problems of domestic red meat producers and processors. There are several reasons for this. In the first place, the sale of red meat accounts for about one-third of the gross sales of the average chainstore. Second, and more importantly, the beef industry has suffered a \$2 billion loss in the past 2 years, while the price of beef to the consumer has not been reduced at all. U.S. Department of Agriculture figures show that as of last February the farmer's share of the consumer's dollar spent for beef had declined to 56 cents. This is the lowest percentage since 1935. While his share of the dollar was dropping the farm retail spread, the difference between what the farmer received and the housewife paid, increased to 35.7 cents, a new record figure, 17 percent higher than in 1962 and 11 percent wider than the previous record of 1961.

The beef producers of this Nation are in a desperate situation. And the testimony taken so far at these hearings indicates that there is probably cause to suspect the chainstores of using their mass purchasing power and ability to set the market demand for any given day—plus the ability to retaliate against those who speak out against them—to exercise an unwarranted control over red meat prices at the producer's end of the marketing process.

Mr. President, I believe that the suggestion of the President of the United States should be implemented as soon as possible without delay, that the full sweep of an investigation into all facets of food chain operations should begin at once. And I believe that this investigation should start with the sale of red meat. Not only is this the area of immediate concern for a vital segment of our

agricultural economy, but it is one of the prime components of the stores' merchandising—a mainstay in their economy.

It makes a great difference to the housewife and budgetkeeper at home who is continuing to pay high prices in this same field.

The committee, in its hearings on Senate Joint Resolution 71, has heard testimony favoring this approach, by a Presidential Commission under the control of Congress. I anticipate that the work done so far by the committee and the work done by the FTC can be used as a base on which to launch this wide investigation.

President Johnson has announced to the Nation his determination that every citizen should have a better deal. This means that we expect no one to have a special privilege over his fellows or suffer from the unfair competition of a stacked economic deck. The proposal which I introduce today is concrete evidence of the President's concern that efforts to bring about that better deal begin at once. I share that concern—I know that many Senators are likewise concerned—and I share his determination that the ideals of free enterprise that have made us a great Nation shall not be compromised by those who would use power and position to unfair advantage.

I urge rapid approval of the program that has been introduced as an amendment to Senate Joint Resolution 71.

EXPOSING THE WORLD OF THE SMUT PEDDLERS

Mr. MUNDT. Mr. President, in this do-it-yourself age it is still an amazing fact that there is very little information available to the parents of teenagers, schoolteachers, the teenagers themselves, to many lawmakers, and to many law enforcers as to the most effective way to cope with the problem of pornography and obscene and noxious literature that is distributed in our country.

Once in a while, some effective work in this needed area of public information is done by an enterprising reporter. This has been true in the case of the Washington Daily News, which has run a series of three articles by Samuel Stafford under the general title of "The Smut Peddlers." These articles pretty well wrap up the methods of the degenerates who sell obscene pictures, recordings, books, and materials—most of them aimed at the high school market. Articles such as these help to get information to the public. I wish more newsmen would concentrate on such disclosures. I shall ask unanimous consent to have these three articles placed in the CONGRESSIONAL RECORD. This effort may enlarge the reading audience, which is an objective devoutly to be sought.

However, as important as the information which Samuel Stafford has developed may be, there is still much work to be done. The U.S. Senate has twice passed legislation which I have introduced on this particular subject. My bill provided for the creation of a Commission on Noxious and Obscene Materials. Under the provisions of the bill,

a group of experts from the field of education, law enforcement, legislative draftsmanship, religion, and the general public would sit down and try to find the answers on, first, how we can educate the public to the dangers of obscene materials, second, how the public can help combat the peddlers of pornography, third, how we can get uniform city, State, and Federal laws which will help trap these purveyors, and fourth, most important, draw up guidelines as to what is obscene, noxious, and pornographic, so the courts and the law enforcers would have some jurisdiction and muscle in carrying on the fight.

I hope that we can get action in both Houses of Congress on this legislation in this session of Congress. I shall do what I can to urge a favorable vote on my current Senate bill, S. 180.

In the meantime, I shall encourage fine writers, like Samuel Stafford, and all others in various news media to continue exposing these sordid practices. It is a fight in which all can join. I ask unanimous consent that the articles be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Daily News, Mar. 16, 1964]

WHEATON CHAMBER OF COMMERCE WAS WORRIED: EXPLORING SICK WORLD OF SMUT PEDDLERS

(How easy is it for normally inquisitive Washington teenagers to fall into the sick world of the smut peddlers—and what damage can be done to them there? Where does the line begin, and where does it end? And what can be done about it? A group of worried parents and businessmen in Wheaton, Md., set out to find answers to these disturbing questions. This, the first of three articles, reveals some of the shocks and surprises they found along the way.)

(By Samuel Stafford)

The Wheaton Chamber of Commerce had to admit the letter wasn't a bit like its usual business mail.

"Slave," the woman wrote, "I command you to send me \$100 or a television set as a show of good faith that you will submit to my discipline."

The letterwriter had no way of knowing it, but she had fallen, kerplunk, into a trap set by a chamber of commerce committee dedicated to stamping out obscenity—in the mails and on newsstands in this up-and-coming Washington suburb.

The chamber's obscenity hunters, using the word "Herbert" as a nom de plume, had begun their campaign by answering an ad in a racy national weekly newspaper. Before long they found a curious business reply card in "Herbert's" Wheaton postoffice box.

The card listed such subjects as masochism, sadism, discipline, whips, slave bracelets, homosexuality, wife swapping, leather clothing, cross dressing (wearing clothes of the opposite sex), and high heels, and asked "Herbert" to indicate his main interest and return the card.

The chamber's committee decided to check "discipline."

Back came a letter giving names of the corresponding secretaries of eight discipline clubs in the East. The committee wrote some of them.

(Discipline groups, U.S. postal inspectors say, are made up of twisted people interested in "slave and master" relationships.)

The letter beginning, "Slave, I command you" was the answer to one of the chamber's letters, so the committee began a correspond-

ence with its new-found pen pal and soon discovered that she was a Baltimore stripper. She boasted that scores of men had given her cash and gifts for a chance to be her flunky.

To the chamber's energetic but amateurish sleuths, the woman looked like a gold mine of facts on the postal obscenity racket, so a group of them set out to interview her.

Unfortunately, one of the men's wallets, containing \$300, was lifted from his coat pocket en route to the interview, and the project was abandoned.

The impetus for the chamber's campaign came from Mrs. Helen S. Beaver and others from the Silver Spring Junior Women's Club which has long been concerned about the possible harmful effect of obscenity on teenagers.

The club, more than 4 years ago, sent out hundreds of letters to Montgomery County civic groups asking help in an "operation pornography" campaign.

The Wheaton Chamber, whose president then was Automobile Dealer John Amatucci, responded by forming its antiobscenity committee. However, little happened until 1962, when the committee began a year-long watch on community newsstands.

Teenagers, they noticed, seemed unduly interested in movie magazines, men's pulp magazines, and those super-sensational national weekly newspapers whose titles included promising words such as "Inside" and "Confidential."

The chamber committee studied stories in the national weeklies. The Meatgrinder Murder Case admittedly was strong stuff, but it wasn't obscene. Neither was the story of a Sunday school teacher forced into a life of shame. Nor were the confessions of the longshoreman who became an Egyptian belly dancer.

The Wheaton businessmen turned to the long columns of lonely heart and pen pal ads, and, in general, found them as wholesome as Aunt Minnie's apple pie. A typical one read: "Henrietta—Georgia. Enjoys dancing, theater, bowling, collecting cookbooks. Wants to correspond with friendly people, male or female, but prefers male."

What sort of mail, the obscenity hunters wondered, came to teenagers who answered such ads?

"Herbert," representing the committee, sent a dollar to each of several lonely heart clubs, which promised to forward his mail unopened to Henrietta and others.

They got back only a few matter-of-fact replies and concluded they hadn't said the right things in their letters. (They later learned that a few of the innocent-seeming replies they got were in a kind of code known only to other veteran correspondents.)

Bolder mail, however, was on its way to Wheaton.

"Herbert" had answered classified ads of "clubs" with names like "The Club Delight," which promised "interesting correspondence" to any reader giving his name, address, and "special interests." "Herbert" had sent \$2 to a Canadian group called "The Ecstasy Club," and received a mimeographed membership list.

Although less sordid than most, the following listings give a fair idea of the membership:

"C/OV55, Oklahoma. Completely uninhibited, attractive white couple. Interests are photography, nudism, parties, exhibitionism, intimate get-togethers, all types of erotica * * * and anything else offbeat, uninhibited, or wild * * * enjoy everything, the more the merrier.

"M/OV4, N.Y.C. Young man * * * wants to be properly dominated by a strong-willed woman or a group of strong-willed women."

Others asked for "correspondence in naughty language," and promised "the heights of ecstasy" to the "right" person. A

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued Apr. 7, 1964
For actions of Apr. 6, 1964
88th-2nd; No. 64

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HIGHLIGHTS: Several Reps. debated merits of wheat provisions of cotton-wheat bill and procedure under which it is being considered. Several Reps. complimented cotton provisions of cotton-wheat bill. Rep. Findley claimed cotton-wheat bill would benefit "profiteers" at textile mills. Rep. Purcell urged passage of cotton-wheat bill. Both Houses passed supplemental appropriation for Alaskan disaster relief. Rep. Cooley and others submitted and Reps. Roosevelt and Kastenmeier discussed measure to establish National Commission Food Marketing.

SENATE

1. **APPROPRIATIONS; DISASTER RELIEF.** Both Houses passed without amendment H. J. Res. 976, providing a supplemental appropriation of \$50 million to the President for disaster relief as a result of the recent Alaskan earthquake. This measure will now be sent to the President. pp. 6662-6, 6744-51
2. **CIVIL RIGHTS.** Continued debate on H. R. 7152, the civil rights bill (pp. 6735-42, 6753-73, 6778-85, 6792-6810, 6813-22). Sen. Scott inserted a summary of the provisions of the bill as passed by the House (pp. 6771-3).
3. **PERSONNEL.** Sen. Miller inserted an article stating that "Agriculture Secretary Orville Freeman is holding up the promotion of N. Battle Hales, an Agriculture

Department employee who testified that there was favoritism in the Billie Sol Estes case...pending the McClellan investigating subcommittee report on the Estes investigation." He criticized this action, stating that there was nothing to show that Mr. Hales had engaged in "improper activities." pp. 6810-3

Both Houses received from the President a report on employees who, during fiscal year 1963, participated in training in non-Government facilities in courses that were over 120 days in duration and those employees who received training in non-Government facilities as the result of receiving an award or contribution. pp. 6668, 6823

4. COMMITTEES. Sen. Morse stated that he would raise a point of order against any bill reported from committee based on the polling of members of the committee and without a quorum of members present at the time the bill was ordered to be reported. p. 6735
5. SMALL BUSINESS. The Select Committee on Small Business adopted a program for its activities during 1964, including the following: export trade associations, discriminatory ocean freight rates, effect of Area Redevelopment Program on small firms, Government procurement, dual distribution: private brand marketing and the role and effect of technology on the Nation's economy. pp. D255-6

HOUSE

6. FOOD INVESTIGATION. Received from the President a draft bill to establish a bipartisan commission to study the food industry from the farm to the consumer; to Agriculture Committee. p. 6721
7. COTTON; WHEAT. Several Representatives debated the merits of the wheat provisions and the method for House passage of H. R. 6196, the cotton-wheat bill (pp. 6692-6701). Several Representatives praised the cotton provisions of the bill (pp. 6703-5). Rep. Findley charged that the textile mills would be the "profiteers" if the bill were passed (p. 6706). Rep. Purcell spoke in favor of the bill (pp. 6713-4).
8. LUMBER STANDARDS. Rep. Senner urged rapid action by the Commerce Dep't in its decision about possible changes in lumber standards. pp. 6710-2
9. SOIL AND WATER CONSERVATION. Rep. Olsen (Mont.) complimented the work of the Soil Conservation Service in soil and water conservation and development. pp. 6717-8
10. VETERANS. Rep. Beckworth inserted letters from veterans urging consideration of their problems including a recommendation for reductions of beef imports. pp. 6701-3
11. FEDERAL ECONOMY. Rep. Jensen inserted an article criticizing some government economy methods. pp. 6706-8
12. APPROPRIATIONS. Received from the Budget Bureau a letter reporting "that the appropriation to the Department of Agriculture for Expenses, Agricultural Stabilization and Conservation Service, for the fiscal year 1964, has been apportioned on a basis which indicates the necessity for a supplemental estimate of appropriation." p. 6721
13. DISASTER RELIEF. Received from the President a supplemental appropriation estimate for 1964 in the amount of \$50 million for disaster relief (H. Doc.

H. J. RES. 977

IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 1964

Mr. COOLEY introduced the following joint resolution; which was referred to the Committee on Agriculture

JOINT RESOLUTION

To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*
3 That there is hereby established a bipartisan National Com-
4 mission on Food Marketing (hereinafter referred to as the
5 "Commission").

6 SEC. 2. ORGANIZATION OF THE COMMISSION.—(a)
7 The Commission shall be composed of fifteen members, in-
8 cluding (1) five Members of the Senate, to be appointed
9 by the President of the Senate; (2) five Members of the
10 House of Representatives, to be appointed by the Speaker
11 of the House of Representatives; and (3) five members

1 to be appointed by the President from outside the Federal
2 Government.

3 (b) Any vacancy in the Commission shall not affect
4 its powers and shall be filled in the same manner as the
5 original position.

6 (c) Eight members of the Commission shall constitute
7 a quorum.

8 SEC. 3. COMPENSATION OF MEMBERS.—(a) Members
9 of Congress who are members of the Commission shall serve
10 without compensation in addition to that received for their
11 services as Members of Congress; but they shall be reim-
12 bursed for travel, subsistence, and other necessary expenses
13 incurred by them in the performance of the duties vested in
14 the Commission.

15 (b) Each member of the Commission who is appointed
16 by the President may receive compensation at the rate of
17 \$100 for each day such member is engaged upon work of
18 the Commission, and shall be reimbursed for travel expenses,
19 including per diem in lieu of subsistence as authorized by law
20 (5 U.S.C. 73b-2) for persons in the Government service
21 employed intermittently.

22 SEC. 4. DUTIES OF THE COMMISSION.—(a) The Com-
23 mission shall study and appraise the marketing structure of
24 the food industry, including the following:

1 (1) The actual changes, principally in the past two
2 decades, in the various segments of the food industry;

3 (2) The changes likely to materialize if present trends
4 continue;

5 (3) The kind of food industry that would assure effi-
6 ciency of production, assembly, processing, and distribution,
7 provide appropriate services to consumers, and yet maintain
8 acceptable competitive alternatives of procurement and sale
9 in all segments of the industry from producer to consumer;

10 (4) The changes in statutes or public policy, the orga-
11 nization of farming and of food assembly, processing, and
12 distribution, and the interrelationships between segments of
13 the food industry which would be appropriate to achieve a
14 desired distribution of power as well as desired levels of
15 efficiency; and

16 (5) The effectiveness of the services and regulatory
17 activities of the Federal Government in terms of present and
18 probable developments in the industry.

19 (b) The Commission shall recommend such actions by
20 Government or by private enterprise and individuals as it
21 deems appropriate.

22 (c) The Commission shall make such interim reports
23 as it deems advisable, and it shall make a final report to the
24 President and to the Congress by July 1, 1966.

1 SEC. 5. POWERS OF THE COMMISSION.—(a) The Com-
2 mission, or any member thereof as authorized by the Com-
3 mission, may conduct hearings anywhere in the United States
4 or otherwise secure data and expressions of opinions. In con-
5 nection therewith the Commission is authorized—

6 (1) to require, by special or general orders, corpora-
7 tions, business firms, and individuals to submit in writ-
8 ing such reports and answers to questions as the Com-
9 mission may prescribe; such submission shall be made
10 within such reasonable period and under oath or other-
11 wise as the Commission may determine;

12 (2) to administer oaths;

13 (3) to require by subpoena the attendance and testi-
14 mony of witnesses and the production of all documentary
15 evidence relating to the execution of its duties;

16 (4) in the case of disobedience to a subpoena or or-
17 der issued under paragraph (a) of this section to invoke
18 the aid of any district court of the United States in re-
19 quiring compliance with such subpoena or order;

20 (5) in any proceeding or investigation to order
21 testimony to be taken by deposition before any person
22 who is designated by the Commission and has the power
23 to administer oaths, and in such instances to compel

1 testimony and the production of evidence in the same
2 manner as authorized under subparagraph (3) and (4)
3 above; and

4 (6) to pay witnesses the same fees and mileage as
5 are paid in like circumstances in the courts of the United
6 States.

7 (b) Any district court of the United States within the
8 jurisdiction of which an inquiry is carried on may, in case
9 of refusal to obey a subpoena or order of the Commission
10 issued under paragraph (a) of this section, issue an order
11 requiring compliance therewith; and any failure to obey
12 the order of the court may be punished by the court as a con-
13 tempt thereof.

14 (c) The Commission is authorized to request directly
15 from the head of any Federal executive department or inde-
16 pendent agency available information deemed useful in the
17 discharge of its duties. All departments and independent
18 agencies of the Government are hereby authorized to co-
19 operate with the Commission and to furnish all information
20 requested by the Commission to the extent permitted by law.

21 (d) The Commission is authorized to enter into contracts
22 with Federal or State agencies, private firms, institutions, and

1 individuals for the conducting of research or surveys, the
2 preparation of reports, and other activities necessary to the
3 discharge of its duties.

4 (e) When the Commission finds that publication of any
5 information obtained by it is in the public interest and would
6 not give an unfair competitive advantage to any person, it is
7 authorized to publish such information in the form and
8 manner deemed best adapted for public use, except that
9 data and information which would separately disclose the
10 business transactions of any person, trade secrets, or names
11 of customers shall be held confidential and shall not be dis-
12 closed by the Commission or its staff: *Provided, however,*
13 That the Commission shall permit business firms or indi-
14 viduals reasonable access to documents furnished by them
15 for the purpose of obtaining or copying such documents as
16 need may arise.

17 (f) The Commission is authorized to delegate any of
18 its functions to individual members of the Commission or
19 to designated individuals on its staff and to make such rules
20 and regulations as it deems necessary for the conduct of
21 its business.

22 SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The
23 Chairman of the Commission is authorized, without regard
24 to the civil service laws and regulations or the Classification
25 Act of 1949, as amended, to appoint and fix the compensa-

1 tion of an executive director and such additional personnel
2 as may be necessary to carry out the functions of the Com-
3 mission, but no individual so appointed shall receive com-
4 pensation in excess of the rate authorized for GS-18 under
5 the Classification Act of 1949, as amended.

6 (b) The Chairman is authorized to obtain services in
7 accordance with the provisions of section 15 of the Act of
8 August 2, 1946 (5 U.S.C. 55a), but at rates for individuals
9 not to exceed \$100 per diem.

10 (c) The head of any executive department or inde-
11 pendent agency of the Federal Government is authorized to
12 detail, on a reimbursable basis, any of its personnel to assist
13 the Commission in carrying out its work.

14 (d) Financial and administrative services (including
15 those related to budgeting and accounting, financial report-
16 ing, personnel, and procurement) shall be provided the Com-
17 mission by the General Services Administration, for which
18 payment shall be made in advance, or by reimbursement,
19 from funds of the Commission in such amounts as may be
20 agreed upon by the Chairman of the Commission and the Ad-
21 ministrator of General Services: *Provided*, That the regula-
22 tions of the General Services Administration for the collec-
23 tion of indebtedness of personnel resulting from erroneous
24 payments (5 U.S.C. 46c) shall apply to the collection of
25 erroneous payments made to or on behalf of a Commission

1 employee, and regulations of said Administrator for the ad-
2 ministrative control of funds (31 U.S.C. 665 (g)) shall ap-
3 ply to appropriations of the Commission: *Provided further,*
4 That the Commission shall not be required to prescribe such
5 regulations.

6 (e) Ninety days after submission of its final report, as
7 provided in section 4 (c), the Commission shall cease to
8 exist.

9 SEC. 7. AUTHORIZATION OF APPROPRIATIONS. There
10 is hereby authorized to be appropriated such sums not in ex-
11 cess of \$2,500,000 as may be necessary to carry out the pro-
12 visions of this joint resolution. Any money appropriated pur-
13 suant hereto shall remain available to the Commission until
14 the date of its expiration, as fixed by section 6 (e) ;

88TH CONGRESS
2D SESSION

H. J. RES. 977

JOINT RESOLUTION

To establish a National Commission on Food
Marketing to study the food industry from
the farm to the consumer.

By Mr. COOLEY

APRIL 6, 1964

Referred to the Committee on Agriculture

the development of fast, high-yield reactors to conserve the Nation's reserves of fissionable materials and to provide cheap, abundant power.

ECONOMIC CONDITION OF OUR NATION

(Mr. BROOKS asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include a newspaper article.)

Mr. BROOKS. Mr. Speaker, it seems appropriate for the Congress, from time to time to take stock of the economic condition of our Nation so we might accurately judge the effectiveness of our national policies.

I am confident that every Member of the Congress can find justifiable optimism and confidence in the sound road of economic expansion we have been traveling under the Democratic administration of President Kennedy and President Johnson.

According to expert economic analyses, we are in the midst of one of the longest peacetime business expansion periods in our history; and the end is by no means in sight.

Through the continued vigilance of the Congress and the President, I believe the American people can expect the policies of our National Government to encourage even further the continuation of this significant upswing in business activity.

Mr. Speaker, I offer for the RECORD a brief article from the Associated Press pointing up in more detail the consensus of the business community confirming its confidence in the current long-term boom.

EXPERTS TEND TO CONFIDENCE IN LONG BOOM (By Jack Lefler)

NEW YORK.—The business upturn reached the ripe old age of 38 months last week.

That made it about the longest business expansion in peacetime.

Some economists felt it was getting decrepit.

Others contended it is still robust and has a considerably longer life ahead.

Majority opinion ended toward the belief that things look good for the months ahead.

M. R. Gainsburgh, chief economist of the National Industrial Conference Board, expressed this opinion:

"Because there are none of the familiar signs of economic strain, I would say the top of this expansion isn't even in sight yet, especially considering the stimulating effect of the recent tax reduction."

The Chase Manhattan Bank of New York said:

"The odds are high that the economy will be operating at, or quite close to practical capacity later this year. This is likely to be true even with moderation in consumer markets, capital expenditure, and inventories."

At present, the upswing isn't hampered by the usual signs of an expansion's demise. Inventories aren't excessive, loans aren't difficult to obtain, and prices are relatively stable.

It is being carried along by corporations' high sales and earnings, particularly in the automobile and steel industries, and heavy investment in new plant and equipment.

INTRODUCTION OF RESOLUTION TO ESTABLISH BIPARTISAN NATIONAL COMMISSION ON FOOD MARKETING

(Mr. ROOSEVELT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROOSEVELT. Mr. Speaker, I have today introduced a joint resolution to establish a bipartisan National Commission on Food Marketing. It is my understanding that a number of other Members have joined with me in introducing this measure. The resolution provides for a 2-year study of the various segments of the food industry, together with an appraisal and recommendations for legislative and other actions by the Federal Government, private industry, and individuals.

The resolution which I have introduced is in identical language to that introduced by Senator GALE McGEE, in the other body, I understand, this is the draft received by him from the White House. The Commission which will be created by this resolution can perform a cardinal service to the consumer, the farmer, the food industry, and our economy in general. I have not changed the language of the resolution, feeling it better to leave this to the wisdom of the committee to which it is referred, after it has received and considered testimony on this subject.

There are, however, several points that I would like to briefly make at this time. First, there are problems today in the food industry, perhaps most pressing in the meat sector, that are of such intensity they cannot await a 2-year study for solution. It is to be hoped, therefore, that the passage of this resolution will not militate against the passage of needed legislation, such as H.R. 1706, which would prohibit large integrated firms from engaging in both the production and retail sale of meat and similar products.

While the word "antitrust" is not used in the body of the resolution, I am most hopeful that recognition will be given to the fact that there are serious antitrust problems arising from increasing concentration and integration within the food industry, and that both the committee considering the resolution and the Commission which will be ultimately created will attempt to devise solutions designed to foster and preserve the forces of competition in this vital area of our economy.

AMERICAN JEWISH CONFERENCE ON SOVIET JEWRY

(Mr. RYAN of New York asked and was given permission to extend his remarks in the body of the RECORD and to include extraneous matter.)

Mr. RYAN of New York. Mr. Speaker, last December I spoke on the floor of the House about the Soviet campaign of discrimination against Russian citizens of the Jewish faith. At that time I de-

tailed the various methods, including the prevention of publication of books, the closing of synagogues, the prohibition against the baking of matzoh, and the eradication of Jewish religious and cultural life. I have also called upon President Johnson to use his good offices to appeal to Premier Khrushchev to lift these religious and cultural restrictions. Today and yesterday a conference on Soviet Jewry is being held in Washington, D.C., with over 500 persons in attendance. The conference is sponsored by the following 24 Jewish organizations:

American Israel Public Affairs Committee; chairman, Rabbi Philip S. Bernstein.

American Jewish Committee; president, Morris B. Abram.

American Jewish Congress; president, Rabbi Joachim Prinz.

American Zionist Council; chairman, Dr. Max Nussbaum.

American Trade Union Council for Histadrut; chairman, Moe Falikman.

B'nai Brith; president, Label A. Katz.

Central Conference of American Rabbis; president, Rabbi Leon I. Feuer.

Conference of Presidents of Major American Jewish Organizations; chairman, Lewis H. Weinstein.

Hadassah, Women's Zionist Organization of America; president, Mrs. Siegfried Kramarsky.

Jewish Agency for Israel, American Section; chairman, Mrs. Rose L. Halprin.

Jewish Labor Committee; national chairman, Adolph Held.

Jewish War Veterans of the U.S.A.; national commander, Daniel Neal Heller.

Labor Zionist Movement—Poale Zion, Farband, Pioneer Women; chairman, Mrs. Blanche Fine.

Religious Zionists of America—Mizrachi-Hapoel Hamizrachi; president, Rabbi Mordecai Kirshblum.

National Community Relations Advisory Council; chairman, Lewis H. Weinstein.

National Council of Jewish Women; president, Mrs. Joseph Willen.

National Council of Young Israel; president, Rabbi David Hill.

Rabbinical Assembly; president, Rabbi Theodore Friedman.

Rabbinical Council of America; president, Rabbi Abraham N. Avrutick.

Synagogue Council of America; president, Rabbi Uri Miller.

Union of American Hebrew Congregations; president, Rabbi Maurice N. Eisen-drath.

Union of Orthodox Jewish Congregations of America; president, Moses I. Feinstein.

United Synagogue of America; president, George Maislen.

Zionist Organization of America; president, Dr. Max Nussbaum.

A fact sheet was prepared in preparation for the conference which I believe all Members of the House should read. I include it at this point in the RECORD:

[From American Jewish Conference on Soviet Jewry, Willard Hotel, Washington, D.C., Apr. 5-6, 1964]

FACT SHEET: THE STATUS OF JEWS IN THE SOVIET UNION

BACKGROUND

1. The last Soviet census, in 1959, listed 2,268,000 Jews. Reliable reports indicate, however, that those census returns entirely omitted statistics on Jews in some areas and deflated the actual number in others. The correct figure is nearer to 3,000,000—perhaps more—making Soviet Jewry second only to the Jews of the United States in population.

2. Although Soviet Jews constitute but 1.09 percent of the population, they rank 11th numerically among the more than 100 Soviet nationalities. There is no republic of the U.S.S.R. where Jewish communities are not found. The great majority live in the three most populous republics: 38 percent in the Russian Republic, 37 percent in the Ukraine, 7 percent in Byelorussia.

3. Jews in the U.S.S.R. are officially recognized as a nationality group. In the personal identification papers which all Soviet citizens carry, Jews must list their nationality as Jewish (Yevrei) just as other nationalities—Russians, Ukrainians, Uzbeks, Georgians, Armenians, Lithuanians, etc.—must list theirs.

4. The Jews are also regarded, secondarily, as a religious group, such as the Russian Orthodox, Baptists, Moslems, and others.

DEPRIVATION OF CULTURAL RIGHTS

1. In the 1959 census, 472,000 Soviet Jews listed Yiddish as their "mother tongue." This courageous demonstration of loyalty to Yiddish culture served notice on the Government that Soviet Jewry still hoped for a revival of Jewish cultural life.

2. Although Soviet practice recognizes the inherent right of every nationality to maintain and perpetuate its own cultural identity, the Jews are the only nationality who do not enjoy the basic cultural rights accorded to all other minorities.

3. Hebrew was forbidden soon after the Bolshevik Revolution of 1917 but Jews were permitted a flourishing cultural life in Yiddish until 1948: This included the publishing of newspapers, books, and literary journals; professional repertory theaters and drama schools, literary and cultural research institutes, and a network of schools.

4. In 1948 this whole array of institutions was dismantled and hundreds of Jewish writers, artists, and intellectuals were imprisoned. Many perished in concentration camps; the 24 most distinguished and talented of them were executed in 1952.

5. A few positive steps toward easing the harsh suppression of Jewish cultural and religious life have been made since Stalin's death—whether as a result of the general easing of conditions under Khrushchev or strong criticism of the Soviet regime by Jewish and non-Jewish groups. In 1959 and 1961 a total of 6 Yiddish books were published, in editions of 30,000 each—albeit the writers were long since dead. None has been published since. In 1961, for the first time since 1948, a bimonthly Yiddish literary journal—*Sovietish Heimland*—began publication in an edition of 25,000. In 1963 a Hebrew-Russian dictionary was published and early in 1964 there appeared, in Russian, a book of poems by modern Hebrew poets.

6. This is all that remains of the rich Jewish cultural life that existed until 1948. Today Jews are forbidden schools of their own; forbidden classes in Yiddish or Hebrew in the general schools, and forbidden classes in the Russian language on Jewish history and culture. The result has been to deprive Soviet Jewry of all opportunity to perpetuate Jewish cultural values and Jewish identity.

DEPRIVATION OF RELIGIOUS RIGHTS

1. Judaism is subjected to special discrimination, and religious Jews are subjected to special disabilities which do not affect any other major religious denomination in the U.S.S.R.

2. Jewish congregations are not permitted to maintain national federations or other central organizations through which religious functions are governed, religious needs serviced, religious beliefs bolstered, and communication between congregations strengthened.

3. Judaism is permitted no publication facilities and no publications. No Hebrew Bible has been published for Jews since 1917, nor has a Russian translation of the Hebrew Bible been allowed. In 1957, for the first time since the early 1920's, a Hebrew prayer book was photo offset in an edition of 5,000 copies. There is an extreme shortage of prayer books and religious calendars.

4. The decades-old ban on Hebrew prevents Jewish children from understanding or participating in the prayers of their religion.

5. The production of such indispensable religious objects as the tallis (prayer shawl) and tefillin (phylacteries) is prohibited.

6. Synagogues have been forcibly closed down in many areas, frequently to the accompaniment of virulent press campaigns against them. As a result, Jews have taken to gathering in each others' homes for prayers. Yet in many places such private prayer meetings (minyanim) have been banned, dispersed or otherwise harassed.

7. Circumcision is officially discouraged and mocked, even though there seems to be no law against it.

8. The yeshiva (rabbinical seminary) established in Moscow in 1957 has never been permitted to enroll more than 14 students. It has ordained only two rabbis, neither of whom has functioned as a synagogue leader. In April 1962, 9 of its 13 students were prohibited to reside in Moscow. Two years later there remain only four students, although applications for admission have been made by prospective students from all over the country.

9. In 1962, a total ban was imposed on the public baking of matzoth for Passover and renewed in 1963. This year, perhaps as a result of international protests against the matzoth ban, a bakery was opened in Moscow to produce a limited quantity of matzoth for the Passover holiday. The bakery was closed a few days later. On March 19, the American Embassy in Moscow reported that no matzoth had been baked on the premises. In any event, the total output of the bakery was not expected to meet more than a tiny fraction of Moscow Jewry's matzoth requirements. Jews in the rest of the country remained without any local source of matzoth.

10. An atmosphere of intimidation and fear pervades the few remaining synagogues in the Soviet Union, the result of arrest and imprisonment on trumped-up charges of espionage leveled against synagogue officials in Moscow and Leningrad, and the infiltration of synagogues by police informers.

THE ANTI-JEWISH PRESS CAMPAIGN

1. The Government policy of cultural and religious repression of Soviet Jewry is conducted within the charged atmosphere of a virulent press campaign. In books, newspapers, and magazines, Jews are represented in traditional anti-Semitic stereotypes—as unscrupulous, cunning, malevolent, vicious, and conspiring. They are attacked, as Jews, for alleged economic offenses such as bribery, embezzlement, fraud, and currency speculation.

2. Judaism as a religion is vilified. Rabbis and synagogue officials are portrayed as swindlers, money grubbers, alcoholics, crim-

inals. Jews are ridiculed for observing religious holidays.

3. The Soviet Union has a continuing campaign of antireligious propaganda. Yet only Judaism—of all the religions in the U.S.S.R.—has been singled out as a focus of disloyalty to the state.

OTHER FORMS OF DISCRIMINATION

1. Jews are subject to a subtle policy of discrimination in employment, education, and major sectors of public life.

2. A few especially brilliant Jews can still be found in high positions—and some in the middle rank—in professional, cultural, and economic life. But Jews have virtually disappeared from key "security sensitive" areas such as the armed forces, diplomatic corps, and membership in the Supreme Soviets (legislatures) of the 15 republics.

3. The proportion of Jews in higher education, science, and the professions has been declining for many years. In many universities and advanced institutes, a numerous *clausus* prevails. A generation ago (1935) Jews comprised 13.5 percent of all students in higher education. Today the figure is 3.1 percent.

THE CAMPAIGN AGAINST ECONOMIC CRIMES

1. Official hostility against Jews has been revealed in the massive campaign waged in the last few years against so-called "economic offenses" such as embezzlement of State property, currency speculation and bribery. Fifty to sixty percent of all those sentenced to death for such offenses have been Jews. In some areas (the Ukraine, for example) the figure is 80 to 90 percent.

2. In a number of cases, the Jewish religious affiliation of the culprits was explicitly pointed out. In Lvov, the city's last remaining synagogue was closed down on the ground that it served as a spawning ground for economic crimes against the state.

3. Jews are depicted as people "whose only God is gold," who are "slaves of gold" and who cunningly manipulate naive non-Jewish officials and workers for their own mercenary ends. They are portrayed as the initiators and masterminds of criminal plots.

4. The result of this campaign is both to exacerbate endemic anti-Semitism and to create an atmosphere of fright and intimidation among the Soviet Jewry.

REUNION OF FAMILIES

1. Tens of thousands of Soviet Jews wish to be reunited with their broken families in Israel and elsewhere—families that were shattered by the Nazi holocaust.

2. The Soviet Government has refused, to all but a handful of Jews, the elementary human right to leave their country in order to be reunited with their families—even though the U.S.S.R. has in principle accepted the legitimacy of this right.

SUMMARY

The history of the past several years has shown that the rulers of the Soviet Union are not impervious to criticism of their treatment of Soviet Jewry. For this reason, world Jewry will not cease in the effort to end the government campaign to pulverize and ultimately to eliminate Jewish consciousness among Soviet Jews and to keep them isolated from their fellow Jews in other parts of the world. Despite the hardships they face and the discrimination they suffer, the Jews of the U.S.S.R. profoundly desire to maintain their Jewish spirit and to perpetuate their Jewish identity.

Mr. Speaker, Supreme Court Justice Arthur J. Goldberg delivered a most thoughtful address to the conference in which he pointed out the reasons why all Americans must be concerned with Soviet anti-Semitism which constitutes a

Assembly should not have the right to initiate such an operation unless the Council had shown that it was unable to act.

Also when it comes to the apportionment of the costs among the members by the General Assembly, we are exploring possible arrangements whereby the viewpoints of the major powers and contributors to the cost could be assured of more adequate consideration, and also the possibility of more flexible methods of distributing the cost.

I mention the fact that these possibilities are being discussed to make clear that the United States is using every effort to reach agreement as to future peacekeeping arrangements, in the hope that agreement as to the future will facilitate solution as to the past and provide a more firm foundation for a peacekeeping structure that has already proved itself so valuable.

Let me make it quite clear that it is the charter that imposes the penalty of loss of voting privileges for nonpayment of assessments. The United States has never presumed to think it could negotiate this requirement of the charter with the Soviet Union and it has not entered into these exploratory talks for this purpose. But we are eager to discuss a sound system for financing future peacekeeping operations, a system which involves no change in the terms of article 19 of the charter and, indeed, presupposes settlement of the arrears problem.

We hope and believe that these efforts to preserve the peacekeeping function will have the support of all members, and certainly of all members who believe in the efficacy, indeed the indispensability, of the United Nations as a force for peace in the world.

v

Finally, if we are going to get the nuclear genie back in the bottle and keep it there, we shall have to improve our techniques for arriving at basic solutions to problems which remain even when a cease fire has gone into effect.

I referred earlier to the point that the doctrine of containment was essentially a negative and static concept—as it had to be for its purpose. But a simple cease fire is static, too; it is a return to the status quo ante. And that is not good enough for a world in which the only question is whether change will be violent or peaceful.

The world has known periods of relative peace and order before. Always the order was assured by a system designed to preserve the status quo. And this is precisely why the system of order broke down—because the status quo is indefensible in the long run.

What the world needs is a dynamic system of order—a system capable of bringing about not just a precarious halt to hostilities, but a curative resolution of the roots of hostility. This is to say that a dynamic system of order must be one which helps parties to a dispute to break out of rigid stalemates—to adapt to new times—to manage and absorb needed change.

It is easier to write this prescription than to fill it. But if conflicts are to be resolved and not just frozen, it is manifest that only through the United Nations, the community of nations, can the workable system of peaceful change evolve. The United Nations is a shared enterprise; it speaks for no nation, but for the common interest of the world community. And most important, the United Nations has no interest in the status quo.

vi

To conclude: I believe there is evidence of new beginnings, of evolution from containment to cease fire, and from cease fire to peaceful change. We have witnessed the first concerted and successful effort to avoid

the confrontation of naked force. The Cuban crisis has been followed by the nuclear test ban treaty and a pause in the arms race. We see growing up in the interstices of the old power systems a new readiness to replace national violence with international peacekeeping. The sheer arbitrament of force is no longer possible and less lethal methods of policing, controlling, and resolving disputes are emerging. Do we perceive, perhaps dimly, the world groping for, reaching out to the fuller vision of a society based upon human brotherhood, to an order in which men's burdens are lifted, to a peace which is secure in justice and ruled by law?

As I have said, I believe that now, as in the days of the Founding Fathers, even the faintest possibility of achieving such an order depends upon our steadfast faith. In their day, too, democracy in an age of monarchs and freedom in an age of empire seemed the most remote of pipe dreams. Today, too, the dream of a world which repeats at the international level the solid achievements—of law and welfare—of our domestic society must seem audacious to the point of insanity, save for the grim fact, that survival itself is inconceivable on any other terms.

And once again we in America are challenged to hold fast to our audacious dream. If we revert to crude nationalism and separatism, every present organ of international collaboration will collapse. If we turn in upon ourselves, allow our self-styled patriots to entice us into the supposed security of an impossible isolation, we shall be back in the jungle of rampant nationalisms and baleful ambitions and irreconcilable conflicts which—one cannot repeat it too often—have already twice in this century sent millions to their death, and next time would send everybody.

I believe, therefore, that at this time the only sane policy for America—in its own interests and in the wider interests of humanity—lies in the patient, unspectacular, and if need be, lonely search for the interests which unite the nations, for the policies which draw them together, for institutions which transcend rival national interests, for the international instruments of law and security, for the strengthening of what we have already built inside and outside the United Nations, for the elaboration of the further needs and institutions of a changing world for a stable, working society.

If we in the United States do not carry these burdens, no one else will. If we withdraw, retreat, hesitate, the hope of today, I believe without rhetoric or exaggeration, will be lost tomorrow.

We have called this land the "last best hope" of man—but "last" now has overtones of disaster which we would do well to heed. With Churchill, I can say that "I do not believe that God has despaired of His children." But I would say also, in the words of the Scriptures: "Let us work while it is yet day."

SOIL AND WATER CONSERVATION

(Mr. OLSEN of Montana (at the request of Mr. BECKWORTH) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. OLSEN of Montana. Mr. Speaker, I appreciate your giving me the opportunity to speak in support of the soil and water conservation and development activities of the Soil Conservation Service.

In Montana are the headwaters of two of the Nation's great rivers—the Columbia and the Missouri. This means we have a great responsibility not only to

Montana, but to our sister States through which these rivers flow. What landowners and operators in Montana do may affect the people of many States. In our State—where agriculture is dependent on irrigation—we consider water a very precious asset. We cannot afford to waste it through inefficient or inadequate agricultural systems and practices. I am disturbed that this might happen if we do not provide more—not less—help to soil and water conservation districts through the Soil Conservation Service.

The number of landowners and operators receiving assistance from local Soil Conservation Service technicians increased about 60 percent nationally between 1952 and 1962. Yet the number of technicians available has decreased by about 1 man-year for each district since 1954. I think this speaks well for the increased efficiency of the Soil Conservation Service, but I think we have reached the point where help is spread too thin. With the new responsibilities assigned to the Soil Conservation Service because of broadened soil and water conservation programs, I believe we cannot afford to expect the job to get done unless we provide the trained personnel to do it.

The work being done through districts is necessary and urgent. It is basic. If we do not do it today, we will be merely postponing it to the future when it may be more costly. And postponing it is costly to our present economy.

Montana's 63 soil and water conservation districts need a minimum of 30 additional men to handle the backlog of requests for assistance. This need is for technicians who work directly with farmers and ranchers and rural groups to establish soil and water conservation systems.

Frank Thompson, president of the Montana Association of Soil and Water Conservation Districts, has told me he is greatly concerned about the proposed reduction of Soil Conservation Service assistance to districts. In a letter he said:

Through our district programs we are striving to improve the overall economy by getting resource development up to a satisfactory level. Our farmers and ranchers have made more than 40 cost-return studies on conservation practices. From these studies, it is estimated that the overall economy in the State has been increased by at least \$26 million annually in soil and water conservation districts.

I think this affirms the value of the program and the need to give districts the assistance they need.

According to the National Association of Soil and Water Conservation Districts, the need for technical assistance has increased in all States. They indicate that nationally a total of 1,500 additional man-years is needed to handle the backlog of soil conservation district requests. To meet this need, the conservation operations item in the budget needs to be increased by at least \$10 million, and the personnel ceiling raised accordingly.

Mr. Speaker, I would also like to voice my support of the small watershed program. Montana is seeing the benefits

of this program in the two projects having been completed.

Besides the completed projects, Mr. Thompson tells me that we have 20 currently active applications for projects, 13 of which have received no technical planning assistance from the Soil Conservation Service.

He says that at present we have one small planning party in the State which needs the addition of two people to make it a full planning party.

I have inquired of Donald A. Williams, Administrator of the Soil Conservation Service, what the proposed decrease of planning funds would mean in my State. I find that under the present budget estimates it will be necessary to reduce the watershed planning activity in the State by about one-fifth.

Our present small planning party can plan about three watersheds a year. At this rate, it will take between 4 and 5 years to plan just the projects for which there are presently active applications. This is not a very pleasant outlook for them or for the 245 small watersheds in the State that the recent USDA conservation needs inventory indicated need project-type action.

Small watershed projects have proved to be successful shot-in-the-arm to the rural communities in the Nation where they have been developed. The projects bring an immediate upswing in the economy as soon as they go into operation. Their construction gives work to local people. They require services from the local community. And they have been the catalyst that starts the economic wheels in motion. They are in the public interest. Local people are ready and anxious to do their part.

Congress has given local people hope through the broadening of the Small Watershed Act. I do not like to see this get bogged down because Federal assistance is not available.

Mr. Speaker, I believe we should increase the watershed protection item by \$7 million and earmark \$1½ million of this for planning. Also, personnel ceilings need to be increased to permit adequate planning parties to carry out the work.

The Great Plains conservation program is being well used in my State. It is an excellent way to get the conservation job done on a planned long-range basis. I am in favor of the increase proposed for 1965.

I believe that each of these programs has a place in our national efforts to combat poverty and to give a lift to rural economy.

I know that your task is not an easy one, but I hope you will consider each of these activities favorable. I appreciate very much your giving me this opportunity to speak in support of them.

COMMISSION ON FOOD MARKETING

(Mr. KASTENMEIER (at the request of Mr. BECKWORTH) was granted permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. KASTENMEIER. Today I have joined in sponsoring a resolution to establish a 15-member National Commission on Food Marketing, as proposed by

the President. Although I introduced a somewhat similar resolution on March 26, the President's new proposal has distinct advantages over my earlier House Joint Resolution 974 which leads me to support it.

First, the President's recommendation authorizes a sweeping study of all aspects of the food industry, while House Joint Resolution 974 would concentrate the Commission's attention on the more specific but highly controversial practices of supermarkets and food chain-stores. These practices are perhaps the most significant forces at work in the food industry today, but there is little doubt that trends in other phases of the industry bear on them critically, and would constitute an important subject for the Commission's inquiry.

Second, House Joint Resolution 974 was referred to the Judiciary Committee due to its emphasis on the antitrust implications of developments in the food industry. Although this was certainly an appropriate reference, it is now clear that the Judiciary Committee would not have an opportunity to give House Joint Resolution 974 adequate attention in the near future. The broader resolution introduced today should receive more timely consideration by the Agriculture Committee.

Another feature of today's resolution which warrants comment at this time is its provision for five members of the Commission to be appointed from outside Government. In earlier discussions within the administration, it was suggested that these five be representatives of the affected industries and the farm organizations. However, I understand that the farm organizations themselves favor a Commission without farm, wholesale, or retail representation. Certainly, inclusion of industry and farm representation would raise conflict-of-interest problems owing to the confidential nature of the corporate records which the Commission would have to secure to do its job. For this reason alone, I earnestly hope the President and the committee will specify that these appointees shall be nonindustry if they are also to be nongovernmental.

Today's resolution proposes an extremely broad inquiry and authorizes a commensurately wide range of recommendations by the Commission. While this breadth of scope is admirable and important, it will certainly take every bit of the 2 years allowed for the study. In the meantime, there are immediate and pressing problems in the food industry which require early solution. Accordingly, I hope that the proposal and establishment of the Commission will not be construed as a moratorium on vigorous action by the Justice Department, the FTC, and the Department of Agriculture to correct existing abuses of market power.

Mr. Speaker, today's resolution responds most directly to the acute problem of prices received by red meat producers. Yet, in slightly less dramatic form, disparity in market power plagues all phases of agriculture. Producers, wholesalers, independent retailers, and the consuming public would all have a stake in the Commission's work. I strongly commend the resolution to all

Members and solicit their support for the study it proposes.

SLOVAK INDEPENDENCE

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Ohio [Mr. FEIGHAN], is recognized for 15 minutes.

Mr. FEIGHAN. Mr. Speaker, observance of the 25th anniversary of Slovak independence was held on Sunday, March 15, at the SS. Cyril and Methodius Auditorium in Greater Cleveland, at which I was privileged to address an overflow assembly of interested citizens. I addressed them as follows:

It is most fitting that the observance of this 25th anniversary of Slovak national independence should be held in this auditorium dedicated to the brother saints, Cyril and Methodius.

For the brother SS. Cyril and Methodius are indelibly linked with 11 centuries of Slovak culture and history.

They were invited by Rastislav, who then ruled Slovakia, to bring the civilizing message of Christianity to the Slovak people. That was in the year 863 and so effective was their work that history records them as the apostles of the Slavs.

Slovakia has stood fast by her Christian faith from the days of Cyril and Methodius to the present.

That faith has carried her over epics of great suffering and has preserved the culture of her people in the face of foreign occupation and rule. The strength of that faith is matched only by the sturdiness and resolve of her people.

No nation in history has fought harder or longer for freedom and national independence than Slovakia.

No people have paid a greater price for their allegiance to liberty and human dignity than that paid by the Slovak people. And no nation or people are more firmly committed to the principles of freedom today.

To understand the aspirations of the Slovak people and their plight as a nation today we need but look back upon events of the century in which we live.

When this century opened, Slovakia was a part of the Austro-Hungarian Empire—but a very restive part.

Their struggle for autonomy and selfrule over the previous century prepared them well for the political struggle during and following World War I.

It was no accident of history that the Austro-Hungarian, Russian, German, and Ottoman Empires fell in the wake of that war.

For it was the yearnings and struggles for national independence by nations long subjugated which toppled those empires.

In preparing the people of Slovakia for their political independence the name of Msgr. Andrew Klínka looms large.

A great patriotic leader, he took the initiative to form the Slovak Peoples Party as a united and democratic voice of his people.

That party adopted the guiding principles of the great encyclicals on the social order as their guideposts for the formation of a new social order in Central Europe.

Meanwhile, there were discussions among Czechs and Slovaks in the United States concerning the formation of a common federation following the war. One historic meeting took place in Cleveland in 1915.

At that meeting the Slovak League of America made clear its intention to support a Czecho-Slovak federal state, providing Slovakia would be an equal member with Czechia and would retain complete autonomy in all legislative, executive, judiciary, cultural, and national matters.

Mr. PEPPER in two instances.
 Mr. ULLMAN in three instances.
 Mr. BOLAND in two instances.
 Mr. HOLLAND in six instances.
 Mr. PATTEN.
 Mr. HOLIFIELD.
 Mrs. KELLY.
 Mr. HEALEY.

Mr. MORRISON and to include extraneous matter, notwithstanding the fact that it exceeds two pages of the RECORD and is estimated by the Public Printer to cost \$292.50.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 2701.—An act to provide for an investigation and study to determine a site for the construction of a sea level canal connecting the Atlantic and Pacific Oceans; to the Committee on Merchant Marine and Fisheries.

ADJOURNMENT

Mr. BECKWORTH. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 27 minutes p.m.), the House adjourned until tomorrow, Tuesday, April 7, 1964, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1882. A communication from the President of the United States, recommending the enactment of legislation establishing the bipartisan commission to study and appraise the changes taking place in the American food industry and submitting a draft of a bill to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer; to the Committee on Agriculture.

1883. A communication from the President of the United States transmitting amendments to the request for appropriations transmitted in the budget for fiscal year 1965 in the amount of \$501,595 for the legislative branch (H. Doc. No. 290); to the Committee on Appropriations and ordered to be printed.

1884. A communication from the President of the United States, transmitting a proposed supplemental appropriation for the fiscal year 1964 in the amount of \$50 million for disaster relief (H. Doc. No. 293); to the Committee on Appropriations and ordered to be printed.

1885. A letter from the Director, Bureau of the Budget, Executive Office of the President, relative to reporting that the appropriation to the Department of Agriculture for Expenses, Agricultural Stabilization and Conservation Service, for the fiscal year 1964, has been apportioned on a basis which indicates the necessity for a supplemental estimate of appropriation, pursuant to section 3679 of the Revised Statutes, as amended (31 U.S.C. 665); to the Committee on Appropriations.

1886. A letter from the Secretary of the Navy, transmitting a draft of a proposed bill entitled "A bill to authorize the Secretary of the Navy to adjust the legislative jurisdiction exercised by the United States over lands comprising the U.S. Naval Hospital, Portsmouth, Va.; to the Committee on Armed Services.

1887. A letter from the Acting Secretary of the Navy, transmitting a draft of a proposed bill entitled "A bill to amend section 408 of title 37, United States Code, to provide for reimbursement for the expenses of parking fees incurred by a member of a uniformed service in connection with transportation necessary for conducting official business of the United States"; to the Committee on Armed Services.

1888. A letter from the Assistant Secretary of the Air Force, transmitting a draft of a proposed bill entitled "A bill to amend title 10, United States Code, to make permanent the authority for flight instruction for members of the Reserve Officers' Training Corps, and for other purposes"; to the Committee on Armed Services.

1889. A letter from the Deputy Assistant Secretary of Defense (Properties and Installations), relative to additional projects for the Air Force Reserve under Public Law 87-554, relating to a letter dated October 4, 1963, pursuant to the provisions of 10 U.S.C. 2233a (1); to the Committee on Armed Services.

1890. A letter from the Chairman, Board of Governors of the Federal Reserve System, transmitting the 50th Annual Report of the Board of Governors of the Federal Reserve System of operations for the year 1963, pursuant to section 10 of the Federal Reserve Act, as amended; to the Committee on Banking and Currency.

1891. A letter from the Administrator, Housing and Home Finance Agency, transmitting a report covering its activities and accomplishments during the calendar year 1963, pursuant to the provisions of the statute creating the voluntary home mortgage credit program; to the Committee on Banking and Currency.

1892. A letter from the Secretary of Labor, transmitting the second report to Congress relating to the Manpower Development and Training Act of 1962 (Public Law 87-415), as amended by Public Law 88-214, pertaining to the progress made during the calendar year 1963—the first full calendar year; to the Committee on Education and Labor.

1893. A letter from the assistant secretary-treasurer, the National Institute of Arts and Letters, transmitting the report of the National Institute of Arts and Letters for the year 1963, pursuant to section 4 of the charter; to the Committee on House Administration.

1894. A letter from the Comptroller General of the United States, transmitting a report on the audit of the Federal Home Loan Bank Board for the fiscal year 1963 (H. Doc. No. 291); to the Committee on Government Operations and ordered to be printed.

1895. A letter from the Comptroller General of the United States, transmitting a report on inefficient utilization of personnel to administer the military assistance program in advanced Western European countries, Department of Defense; to the Committee on Government Operations.

1896. A letter from the Comptroller General of the United States, transmitting a supplementary report on inefficient utilization of personnel to administer the military assistance program in advanced Western European countries, Department of Defense; to the Committee on Government Operations.

1897. A letter from the Comptroller General of the United States, transmitting a report on use of unsuitable materials to construct airfield pavements at Selfridge Air Force Base, Mount Clemens, Mich., Department of the Air Force; to the Committee on Government Operations.

1898. A letter from the Comptroller General of the United States, transmitting a report on excessive costs resulting from weaknesses in admission and billing practices relating to hospitals under contracts with

Department of Public Health, District of Columbia government; to the Committee on Government Operations.

1899. A letter from the Comptroller General of the United States, transmitting a report on audits of Government Services, Inc., and of Government Services, Inc.'s, employee retirement and benefit trust fund and supplemental pension plan, year ended December 31, 1963; to the Committee on Government Operations.

1900. A letter from the Comptroller General of the United States, transmitting a report on excessive costs resulting from the operation of separate departmental public information offices, Department of Defense; to the Committee on Government Operations.

1901. A letter from the Comptroller General of the United States, transmitting a report on excessive costs incurred in transporting Saturn launch vehicles by the National Aeronautics and Space Administration; to the Committee on Government Operations.

1902. A letter from the Comptroller General of the United States, transmitting a report on overpricing of B-58 electrical power systems purchased from Westinghouse Electric Corp. by General Dynamics Corp. under a cost-plus-a-fixed-fee prime contract; to the Committee on Government Operations.

1903. A letter from the Comptroller General of the United States, transmitting a report on need to consider realignment of organizational and management structure for health and medical activities in the District of Columbia government; to the Committee on Government Operations.

1904. A letter from the Comptroller General of the United States, transmitting a report on unnecessary planned procurement of major assemblies for the M-151 utility truck, Department of the Army; to the Committee on Government Operations.

1905. A letter from the Comptroller General of the United States, transmitting a report on inadequate administration of automatic data-processing operations air route traffic control centers, Boston, Mass., and Washington, D.C., by the Federal Aviation Agency; to the Committee on Government Operations.

1906. A letter from the Comptroller General of the United States, transmitting a report on unnecessary costs incurred in the procurement of the M-405 rocket-handling unit, Department of the Army; to the Committee on Government Operations.

1907. A letter from the Comptroller General of the United States, transmitting a report on unnecessary per diem payments to military personnel during construction of nuclear-powered submarines, Department of the Navy; to the Committee on Government Operations.

1908. A letter from the Comptroller General of the United States, relative to excessive costs of duplicate automatic teletype switching centers in the military services, Department of Defense; to the Committee on Government Operations.

1909. A letter from the Comptroller General of the United States, transmitting a report on deficiencies in aircraft procurements, utilization, maintenance, and accounting, Federal Aviation Agency; to the Committee on Government Operations.

1910. A letter from the Governor of the Canal Zone-President, Panama Canal Company, transmitting a report on the disposal of foreign excess property by the Panama Canal Company and Canal Zone Government for the year ended December 31, 1963, pursuant to (63 Stat. 398); to the Committee on Government Operations.

1911. A letter from the Acting Administrator, General Services Administration, transmitting information on contracts negotiated for experimental, developmental, or

research work or for the manufacturer on furnishing of property for this purpose during the 6-month period ending December 31, 1963, pursuant to 63 Stat. 377, as amended (5 U.S.C. 630); to the Committee on Government Operations.

1912. A letter from the Assistant Secretary of the Interior, transmitting a draft of a proposed bill entitled "A bill to provide for the conveyance of 10 acres of federally owned land on the White Earth Reservation to the Minnesota Annual Conference of the Methodist Church, and for other purposes"; to the Committee on Interior and Insular Affairs.

1913. A letter from the Attorney General, transmitting the annual report of the Attorney General on the activities of the Department of Justice for the fiscal year ended June 30, 1963; to the Committee on the Judiciary.

1914. A letter from the American Symphony Orchestra League, transmitting a copy of the audit report filed by George H. Jones, Jr., certified public accountant, for the American Symphony Orchestra League for the fiscal year 1963, pursuant to Public Law 87-817; to the Committee on the Judiciary.

1915. A letter from the Commissioner, Immigration and Naturalization Service, U.S. Department of Justice, transmitting copies of orders suspending deportation as well as a list of the persons involved, pursuant to the Immigration and Nationality Act of 1952, as amended by Public Law 87-885; to the Committee on the Judiciary.

1916. A letter from the Assistant Secretary of the Interior, transmitting a draft of a proposed bill entitled "A bill to permit variation of the 40-hour workweek of Federal employees for educational purposes"; to the Committee on Post Office and Civil Service.

1917. A letter from the Deputy Administrator, National Aeronautics and Space Administration, transmitting a report to the Committee on Science and Astronautics of the House of Representatives pursuant to section 1(d) of the National Aeronautics and Space Administration Authorization Act, 1964 (77 Stat. 141, 142); to the Committee on Science and Astronautics.

1918. A letter from the Administrator, Veterans' Administration, transmitting a draft of a proposed bill entitled "A bill to amend chapter 1 of title 38, United States Code, and incorporate therein specific statutory authority for the Presidential memorial certificate program"; to the Committee on Veterans' Affairs.

1919. A letter from the President of the Board of Commissioners of the District of Columbia, transmitting a draft of a proposed bill entitled "A bill to extend coverage under the Federal old-age survivors, and disability insurance system of the Social Security Act to temporary and intermittent service performed in the employ of the District of Columbia if such service is not covered by a retirement system established by a law of the United States"; to the Committee on Ways and Means.

1920. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, Department of the Army, dated January 29, 1964, submitting a report, together with accompanying papers and illustrations, on an interim hurricane survey of Stratford, Conn., authorized by Public Law 71, 84th Congress, approved June 15, 1955 (H. Doc. No. 292); to the Committee on Public Works and ordered to be printed with three illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. EVINS: Select Committee on Small Business. Report on Small Business and Foreign Trade (Rept. No. 1303). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. PATMAN:

H.R. 10668. A bill to amend the Bank Holding Company Act of 1956, and the Federal Deposit Insurance Act, as amended; to the Committee on Banking and Currency.

By Mr. MILLS:

H.R. 10669. A bill to extend the Renegotiation Act of 1951, and for other purposes; to the Committee on Ways and Means.

By Mr. BATTIN:

H.R. 10670. A bill to increase the amount of domestic beet sugar and mainland cane sugar which may be marketed during 1964, 1965, and 1966; to the Committee on Agriculture.

By Mr. BECKWORTH:

H.R. 10671. A bill to impose import limitations on certain meat and meat products; to the Committee on Ways and Means.

By Mr. BELCHER:

H.R. 10672. A bill to provide for the disposition of judgment funds now on deposit to the credit of the Pawnee Tribe of Oklahoma; to the Committee on Interior and Insular Affairs.

By Mr. BOGGS:

H.R. 10673. A bill to amend the Internal Revenue Code of 1954 to provide for the treatment of certain real property acquired by foreclosure and subdivided for sale; to the Committee on Ways and Means.

By Mr. CEDERBERG:

H.R. 10674. A bill to increase the amount of domestic beet sugar and mainland cane sugar which may be marketed during 1964, 1965, and 1966; to the Committee on Agriculture.

By Mr. CLEVELAND:

H.R. 10675. A bill to provide for the development of the Berlin National Fish Hatchery, Berlin, N.H.; to the Committee on Merchant Marine and Fisheries.

By Mr. EDWARDS:

H.R. 10676. A bill for the relief of certain distressed aliens; to the Committee on the Judiciary.

By Mr. FARBERSTEIN:

H.R. 10677. A bill to amend the Federal Food, Drug, and Cosmetic Act so as to require that in the labeling and advertising of certain drugs sold by prescription and the "established name" of such drugs must appear each time the proprietary name is used; and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. GOODELL:

H.R. 10678. A bill to extend the third-class bulk mail rates and charges to nonprofit cemetery organizations and associations; to the Committee on Post Office and Civil Service.

By Mr. GRAY:

H.R. 10679. A bill to amend title 38 of the United States Code to make certain Spanish-American War veterans eligible for pensions; to the Committee on Veterans' Affairs.

By Mr. LONG of Maryland:

H.R. 10680. A bill to amend the act of June 16, 1948, to authorize the construction of an additional bridge across the Chesapeake Bay in the State of Maryland, and for other purposes; to the Committee on Public Works.

By Mr. McFALL:

H.R. 10681. A bill to increase the amount of domestic beet sugar and mainland cane sugar which may be marketed during 1964,

1965, and 1966; to the Committee on Agriculture.

By Mr. McINTIRE:

H.R. 10682. A bill to amend the act of June 12, 1960, for the correction of inequities in the construction of fishing vessels, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. McMILLAN:

H.R. 10683. A bill to permit officers and members of the Metropolitan Police force and the Fire Department of the District of Columbia to reside anywhere within 25 miles of the District of Columbia; to the Committee on the District of Columbia.

H.R. 10684. A bill to provide for the registration of names assumed for the purposes of trade or business in the District of Columbia; to the Committee on the District of Columbia.

By Mr. MOSS:

H.R. 10685. A bill to increase the amount of domestic beet sugar and mainland cane sugar which may be marketed during 1964, 1965, and 1966; to the Committee on Agriculture.

By Mr. PELLY:

H.R. 10686. A bill to provide financial assistance to Alaskan fishermen adversely affected by the earthquake of March 27, 1964, and the resulting tidal waves; to the Committee on Merchant Marine and Fisheries.

By Mr. SLACK:

H.R. 10687. A bill to amend the Atomic Energy Act of 1954, as amended, to limit future subsidies to certain types of reactors; to the Joint Committee on Atomic Energy.

By Mr. GUBSER:

H.R. 10688. A bill to designate the tomb in the Arlington Memorial Amphitheater in the Arlington National Cemetery, Va., of the three unknown servicemen of World War I, World War II, and the Korean conflict as the "Tomb of the Unknown Soldiers"; to the Committee on Interior and Insular Affairs.

By Mr. MOORE:

H.R. 10689. A bill to adjust the rates of basic compensation of certain officers and employees in the Federal Government, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. CANNON:

H.J. Res. 976. Joint resolution making a supplemental appropriation for the fiscal year ending June 30, 1964, for disaster relief, and for other purposes.

By Mr. COOLEY:

H.J. Res. 977. Joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer; to the Committee on Agriculture.

By Mr. ROOSEVELT:

H.J. Res. 978. Joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer; to the Committee on Agriculture.

By Mr. KASTENMEIER:

H.J. Res. 979. Joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer; to the Committee on Agriculture.

By Mr. ROSENTHAL:

H.J. Res. 980. Joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer; to the Committee on Agriculture.

By Mr. SCHWENGEL:

H.J. Res. 981. Joint resolution proposing an amendment to the Constitution of the United States relating to residence requirements for voting in the case of presidential and congressional elections; to the Committee on the Judiciary.

By Mr. BERRY:

H.J. Res. 982. Joint resolution proposing an amendment to the Constitution of the United States pertaining to the offering of

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

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HIGHLIGHTS: House committee voted to report bill to establish National Food Marketing Commission. House passed deficiency appropriation bill. House committee reported pay bill. Sen. Williams, Del., inserted item critical of CEA refusal to submit information on salad oil investigation. Sen. Mansfield introduced and discussed bill to provide preservation of farmer's wheat history.

HOUSE

1. AGRICULTURAL APPROPRIATION BILL, 1965. Attached to this Digest is a copy of the committee report on this bill, H. R. 11202, at the end of which is included a summary table reflecting committee action on the bill. The bill was reported on May 8 during adjournment. p. 10128
2. FOOD MARKETING COMMISSION. The Agriculture Committee voted to report (but did not actually report) with amendment H. J. Res. 977, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer. p. D364
3. DEFICIENCY APPROPRIATION BILL, 1964. Passed with amendment this bill, H. R. 11201. See Digest 92 for items of interest to this Department. pp. 10111-6, A2403

4. PAY. The Post Office and Civil Service Committee reported without amendment H. R. 11049, the Federal pay bill (H. Rept. 1338). p. 10128
Rep. Olsen (Mont.) mentioned the changes between the newly reported bill and H. R. 8986, which was previously defeated by the House. p. 10109
5. POVERTY. Rep. Kilburn inserted a letter from a farmer in Canton, N. Y., criticizing the poverty program.
Rep. Forman stated that the way to end this country's poverty problem is through "the kind of job created solely by personal enterprise" and "in less burdensome government which will permit a higher rate of growth." p. 10110
6. RESEARCH; PERSONNEL. Both Houses received from Interior a proposed bill "to authorize the Secretary of the Interior to employ aliens in a scientific or technical capacity"; to Interior and Insular Affairs Committees. pp. 10128, 10131

SENATE

7. FOOD MARKETING. Sen. McGee inserted and commended an editorial supporting enactment of legislation to establish a commission to study the marketing structure of the food industry. p. 10166
8. FATS AND OILS; CEA. Sen. Williams, Del., inserted an article stating that a N. Y. State investigation of the DeAngelis salad oil case appears temporarily blocked because a "Federal agency refuses to disclose information sought by the New York attorney general," and quoting from a letter from the CEA Administrator stating that "In view of the restrictive provisions of the Commodity Exchange Act, it is essential that every possible action be taken to prevent the disclosure of confidential information either by this department or by any board of trade to which this department has furnished such information." p. 10152
9. POVERTY. Sen. Long, Mo., inserted and commended an editorial supporting the President's proposed poverty program. p. 10196
10. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill. pp. 1016 10173-95, 10227-45.
11. EXTENSION SERVICE. Received from this Department a proposed bill to provide for recognition of 50 years of cooperative extension service work with the people of the United States; to Agriculture and Forestry Committee. p. 10130
12. TRANSPORTATION. Senators Bartlett, Beall, Hartke, McGee, Randolph, Scott and Smathers were added as cosponsors of S. 2796, to provide for strengthening and improving the national transportation system. p. 10138
13. WILDERNESS. Sen. Anderson inserted an editorial and statement paying tribute to Howard Zahniser, executive director and editor of the Wilderness Society. p. 10138
14. FOREIGN AID. Sen. Aiken inserted and commended the President's speech to the Alliance for Progress Ambassadors pledging additional aid to Latin American countries, including agricultural aid. pp. 10243-4

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should not be quoted
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HIGHLIGHTS: House subcommittee voted to report poverty bill. Senate committee reported food marketing investigation bill. Senate committee voted to report bill to minimize pesticide injury to fish and wildlife. Sen. McGee inserted his statement urging restrictions on meat imports. Sen. Pearson inserted article critical of meat imports. Sen. Boggs inserted editorial supporting proposed poverty program. Joint Economic Committee announced reestablishment of Subcommittee on Fiscal Policy.

HOUSE

1. POVERTY. A subcommittee of the Education and Labor Committee voted to report to the full committee H. R. 10440, the poverty bill. p. D369
2. TOBACCO LABELS. The Ways and Means Committee reported with amendment H. R. 3498, relating to the marketing requirements for imported cigar labels and bands and for other imported labels (H. Rept. 1393). p. 10358
3. FOREIGN TRADE. The Ways and Means Committee reported with amendment H. R. 5986, to amend the Tariff Act with respect to the rate of duty on brooms made of broom corn (H. Rept. 1395). p. 10358
4. CIVIL DEFENSE. The Armed Services Committee voted to report (but did not actually report) H. R. 10314, to extend the expiration date of certain authorities

under the Federal Civil Defense Act. p. D368

5. FISCAL POLICY. The "Daily Digest" states that the Joint Economic Committee announced that it has reestablished its Fiscal Policy Subcommittee, membership of which consists of Representatives Griffiths (chairman), Boggs, Curtis, and Widnall and Senators Douglas, Proxmire, and Javits. "This Subcommittee will explore Federal tax and expenditure policy with particular emphasis on their relation to future economic growth and stability." pp. D369-70

SENATE

6. FOOD MARKETING COMMISSION. The Commerce Committee reported with amendments S. J. Res. 71, to establish a National Commission on Food Marketing to study the food industry (S. Rept. 1022). p. 10353
7. CIVIL RIGHTS. Continued debate on S. 7152, the civil rights bill. pp. 10286-7, 10289-307, 10328-53
8. PESTICIDES. The Commerce Committee voted to report, with an amendment in the nature of a substitute, (but did not actually report) S. 1251, to prevent or minimize injury to fish and wildlife from the use of insecticides and pesticides. pp. D367-8
9. FOREIGN AID. Sen. Church expressed pleasure in "the flexibility shown by the Agency for International Development in adjusting its policies and programs to the changing situation in Africa," and inserted a speech by the AID Assistant Administrator for Africa, "American Aid to Africa." pp. 10262-4
10. POVERTY PLAN. Sen. Boggs inserted an article in support of the proposed poverty program but pointing out the danger of "political partisanship" in considering the program. p. 10269
11. RESEARCH. Sen. Humphrey inserted his statement to the Conference of Minnesota Colleges on Federal Research and Development Projects urging the inclusion of a greater number of universities and colleges in the projects. p. 10281
12. CIVIL DEFENSE. Received a report from Civil Defense Director "on the Federal contributions program, equipment, and facilities." p. 10248
13. MEAT IMPORTS. Sen. McGee inserted his statement before the Tariff Commission expressing concern over the decline in livestock prices and favoring the imposition of quotas on meat imports. pp. 10280-1
Sen. Pearson inserted an article from the Kansas Stockman reviewing conditions in the livestock industry and favoring stricter controls on meat imports. pp. 10324-5
14. DISASTER RELIEF. Sen. Bartlett inserted a speech by the Administrator of the Small Business Administration reviewing actions taken by his agency to aid in the rehabilitation of Alaska as a result of the recent earthquake. pp. 10264-6
15. TOBACCO. Sen. Neuberger expressed disappointment over the substance of a pamphlet issued by the American Medical Assoc., "Smoking: Facts You Should Know," and inserted an editorial commenting on the pamphlet. pp. 10288-9
16. ALLIANCE FOR PROGRESS. Sen. Humphrey inserted an commended the President's speech to Latin American ambassadors reaffirming "the commitment of this

ESTABLISHING A NATIONAL COMMISSION ON FOOD
MARKETING

MAY 12 (legislative day, MARCH 30), 1964.—Ordered to be printed

Mr. McGEE, from the Committee on Commerce, submitted the
following

REPORT

[To accompany S.J. Res. 71, as amended]

The Committee on Commerce, to whom was referred the joint resolution (S.J. Res. 71, as amended) to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer, having considered the same, report favorably thereon with amendments and recommend that the joint resolution as amended do pass.

PURPOSE OF THE RESOLUTION

The purpose of the resolution is to establish a National Commission on Food Marketing composed of 15 members—5 from the Senate, 5 from the House, and 5 appointed by the President from outside the Federal Government. The Commission would investigate and document the changing structure of the marketing system for farm and food products, identify the problems raised by those changes and recommend such remedial actions by government, private enterprise, or individuals as it deems necessary to facilitate adjustments and to improve the marketing structure. The Commission is to submit to Congress and the President interim reports and a final report by July 1, 1966.

The establishment of the Commission is in no way intended to postpone or otherwise impede the regulatory functions of any Government agency with respect to the food marketing industry.

BACKGROUND OF THE RESOLUTION

Senator Gale McGee introduced the original Senate Joint Resolution 71 to direct the Federal Trade Commission to investigate marketing practices in the food industry.

On April 1, 1964, the President submitted to the Senate proposed legislation to establish a National Commission on Food Marketing. At that time, Senator McGee obtained the unanimous consent of the Senate to substitute the President's proposed legislation for the original language of Senate Joint Resolution 71.

The committee held 10 days of hearings during which Senate Joint Resolution 71, as amended, was unanimously endorsed by the relevant Government agencies and by major retailing and farm organizations including the National Association of Food Chains, the National Association of Retail Grocers, the National Farmers Union, the National Grange, and the American Farm Bureau Federation. In addition, Senate Joint Resolution 71 received the warm support of labor, industry, and consumer representatives.

NEED FOR THE RESOLUTION

In his message on agriculture, the President stated the justification for the proposed Commission as follows:

There is one more pressing need if American agriculture is to be strengthened. The recent changes in the marketing structure for distribution of food are as revolutionary as those in production. There are some 200,000 retail grocery stores, but we know that \$1 out of every \$2 spent for groceries goes to fewer than 100 corporate, voluntary, or cooperative chains. Our information about how this greatly increased concentration of power is affecting farmers, handlers, and consumers is inadequate. The implications of other changes that take place as vertical integration and contract farming have not been fully explored. I urge that the Congress establish a bipartisan Commission to study and appraise these changes so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibility to consumers.

The matchless abundance of American agriculture forms the bedrock of our current prosperity. Yet the American farmer, who is the creator of that abundance, is not sharing in that prosperity.

The farmer's share of the consumer's food dollar has declined steadily and relentlessly during the postwar years. In 1950, the farmer received 47 cents of the consumer's food dollar. Today, he receives only 37 cents. While retail food prices have risen 29 percent since World War II, farm prices have dropped 12 percent from their postwar highs.

The livestock industry, for example, is experiencing one of the most severe depressions in its history. Livestock prices dropped 25 percent from November 1962 to January 1964, resulting in a loss of \$2 billion to the industry. The plunge in cattle prices has been marked by severe losses to cattle feeders on three consecutive crops of cattle. Despite substantial increases in volume, meat packers and processors have not profited from the plight of the producer and, according to the Department of Agriculture more than 10 percent of all packers are operating today while insolvent. While producers have not been hurt as severely as cattle feeders, there is every indication that they will be under price pressure from cattle feeders, who will try

to recoup some of their losses by bidding low on feeder livestock this fall.

The chairman of the committee, Senator Warren G. Magnuson, directed the committee's attention to similar distressed market conditions now facing fruit and vegetable producers. Indeed, no segment of the food industry appears to be unaffected.

The decline in farm prices has been accompanied by a revolution in food marketing practices. Broad shifts in market power, bypassing of traditional markets, and vertical and horizontal integration have each had an incalculable impact on markets and business relationships.

The witnesses representing different segments of the food industry differed widely in their interpretation of this marketing revolution, but they were in agreement that this revolution raised certain fundamental questions for which there are at present no definitive answers:

1. What is the explanation for the growing disparity between farm income and consumer prices?

2. Has the concentration of market power in the food industry destroyed the former balance of competitive forces?

3. Will present structural trends in the food industry ultimately lead to the total control by giant retailers of food production and processing?

4. Is the future of the family farm as a major economic institution in jeopardy?

5. Is the Federal Government adequately serving either to regulate, service, or stabilize the food industry?

6. Can we yet achieve a food industry which is both efficient and competitive?

COMMITTEE AMENDMENTS

The committee adopted several technical and clarifying amendments which do not affect the substance of the legislation:

On page 2, between lines 2 and 3, insert a new subsection (b) to read "(b) The President shall designate a Chairman from among the members of the Commission."

On page 2, line 3, change "(b)" to "(c)".

On page 2, line 6, change "(c)" to "(d)".

On page 2, line 19, insert a comma following the word "subsistence".

On page 3, line 11, insert following the word "farming" the words "and other food production". This amendment, together with the amendment to the title listed below, would insure that the Commission study encompass all food products including nonfarm products such as fish.

On page 4, line 4, following the word "opinions" delete the period and add the words "pertinent to the study."

On page 4, line 5, following the word "authorized", delete the dash and add the word "by majority vote—".

On page 5, line 14, change the word "request" to "require".

On page 5, line 16, delete the word "available".

On page 5, line 18, following the word "authorized" add "and directed".

On page 6, line 20, change the words "it deems" to "are".

On page 6, line 21, following the word "business", delete the period and add the words "except as otherwise provided".

On pages 6 and 7, delete all of section 6 and add a new section 6 as follows:

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) Without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, the Chairman of the Commission is authorized to appoint and fix the compensation of an executive director, and the executive director, with the approval of the Chairman, is authorized to appoint and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

On page 7, line 24, change “(5 U.S.C. 46c)” to “(5 U.S.C. 46e)”.

On page 8, line 3, 4, and 5, following the word “Commission”, change the semicolon to a period and delete the clause beginning with the words “*Provided further,*”.

On page 8, following line 14, add the following sentence:

Amend the title so as to read: “A bill to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer.”

COST

The resolution authorizes appropriations of not more than \$2.5 million for the expenses of the Commission.

SECTION-BY-SECTION ANALYSIS

Section 1 establishes a bipartisan National Commission on Food Marketing.

Section 2 prescribes the organization of the Commission, which is to be composed of 15 members—5 Members of the Senate appointed by the President of the Senate, 5 Members of the House appointed by the Speaker of the House, and 5 members appointed by the President from outside the Federal Government, including a Chairman to be appointed by the President from among the members of the Commission. Any vacancy would not affect the powers of the Commission and would be filled in the same manner as the original position. Eight members would constitute a quorum. The committee anticipates that the appointments by the President of the Senate and Speaker of the House will conform to the customary bipartisan arrangement.

Section 3 prescribes the compensation of Commission members. congressional members of the Commission would serve without additional compensation but would be reimbursed for travel, subsistence, and other necessary expenses incurred by them in performing duties vested in the Commission. Public members may receive \$100 a day plus per diem, travel, and other expenses while engaged in work of the Commission.

Section 4 outlines the duties of the Commission, which are (a) to study and appraise the marketing structure of the food industry; (b) to recommend such action by Government or by private enterprise and individuals as it deems appropriate; and (c) to make such interim

reports as it deems advisable, and to make a final report to the President and the Congress by July 1, 1966. The study and appraisal would include (1) the actual changes, principally in the past two decades, in the various segments of the food industry; (2) the changes likely to materialize if present trends continue; (3) the kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer; (4) the changes in statutes or public policy, the organization of farming and other food production, and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and (5) the effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry. These duties contemplate a broad and penetrating study of all aspects of the market structure of the food industry, from the producer to the consumer.

Section 5 enumerates the powers which may be exercised by the Commission, or by any member thereof as authorized by majority vote of the Commission: (1) to conduct hearings anywhere in the United States or otherwise to secure data and expression of opinions; (2) to require reports; (3) to administer oaths; (4) to require by subpoena the attendance and testimony of witnesses and the production of documentary evidence; (5) to invoke the aid of district courts in requiring compliance with subpoenas or orders; (6) to order testimony to be taken by deposition; (7) to pay fees and mileage to witnesses; (8) to require needed information from Federal executive departments or independent agencies; (9) to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of research or surveys, the preparation of reports and other necessary activities; (10) to publish information which may be in the public interest, except where such publication would divulge individual business transactions, trade secrets, or names of customers; (11) to delegate any of its functions to individual Commission or staff members; and (12) to make such rules and regulations as are necessary for the conduct of its business. District courts are authorized to punish for contempt any persons refusing to obey a subpoena or order of the Commission. Federal departments and independent agencies are directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law. The Commission is directed to permit reasonable access by any person to documents furnished by him, for the purpose of obtaining or copying such documents as the need may arise.

Section 6 deals with administrative arrangements of the Commission. It authorizes the Commission to appoint and fix the compensation of an executive director and the executive director, with the approval of the Chairman, to appoint such additional personnel as may be necessary to carry out the work of the Commission, without regard to civil service laws and regulations or the Classification Act of 1949, but not to exceed the GS-18 salary level. It authorizes the Chairman to obtain services in accordance with the provisions of section 15 of the act of August 2, 1946, with a maximum individual

rate of \$100 per diem. It authorizes Federal agencies to detail persons to the Commission on a reimbursable basis. It directs GSA to provide financial and administrative services to the Commission, for which payment shall be made in advance or by reimbursement. It provides that 90 days after submission of its final report the Commission shall cease to exist.

Section 7 authorizes the appropriation of not to exceed \$2.5 million as needed to carry out the provisions of the joint resolution. Such funds shall remain available to the Commission until the date of its expiration.

AGENCY REPORTS

The executive communication from the President and agency comments follow:

THE WHITE HOUSE,
Washington, April 1, 1964.

HON. CARL HAYDEN,
President pro tempore of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: I recommend that the Congress enact legislation establishing the bipartisan commission to study and appraise the changes taking place in the American food industry. Enclosed is a draft bill which will accomplish this.

The growth and stability of our entire economy depends, to a large extent, upon the food industry. Its vitality and strength are important to the farmers, processors, distributors, and retailers who depend upon it for their livelihood. Its practices affect all of us as consumers.

Information is not now available to permit an informed judgment concerning the effect of the recent changes in the food industry. We do not know whether the benefits of advanced technology are being fairly distributed among farmers, processors, distributors, retailers, and consumers. We do not know whether shifts in bargaining power require new laws. We do not know enough about the new character of the industry to determine the extent of the benefits and the need for any relief from hardship which may be necessary.

The Commission would gather the necessary information and report to the Congress, the President and the public.

In addition to the draft bill, there is also enclosed a memorandum from the Secretary of Agriculture explaining the need for the legislation in more detail.

Sincerely,

LYNDON B. JOHNSON.

MEMORANDUM

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, March 24, 1964.

To: The President, the White House.

From: Orville L. Freeman, Secretary of Agriculture.

Our economy is constantly changing, and we know little about the effects of change—particularly in the food industry. The farmer produces food more successfully than ever before, yet success has not

been rewarded as we expect industriousness and efficiency to be rewarded. The food processor has grown large and efficient, yet he is fighting hard to maintain his corporate identity. The housewife has available a greater variety of food products than ever before, but she is less able to distinguish fact from fancy in food advertising than ever before. The food retailer, once the tail end of the food marketing chain, is rapidly becoming the dominant influence in the food industry.

All these developments indicate that a revolution in food marketing as far reaching as the revolution in production has taken place. It points to the need for a comprehensive study of our food marketing system, and I am, therefore, transmitting a proposed joint resolution to establish a National Commission on Food Marketing. The bipartisan Commission could be composed of 15 members, 5 from the Senate, 5 from the House, and 5 appointed by the President from private life.

It would investigate and document the changing structure of the marketing system for farm and food products, identify the problems raised for various segments of our society by those changes, and recommend such actions by Government, private enterprise, or individuals as it deems appropriate to facilitate adjustments or to improve the marketing structure.

Business relationships among segments of the marketing structure have undergone the greatest change. For some products the central market for buying and selling has at least in part been replaced by direct trading between individual farms and processors or retailers, with trading itself giving way sometimes to contractual relationships. Shifts in market power, and in formal and informal corporate organizations appear to be taking place. In consequence, many farm groups throughout the country are undertaking measures to strengthen the farmer's bargaining position in selling his products.

There are many examples of these changes in marketing practices, but I will cite only two:

(1) Beef is a lead item at retail. Per capita consumption has risen sharply and quality and service have improved greatly. Some packers—big and little—contend that retailers impose and enforce stringent specifications for product and delivery; that there is price leadership; that retail sales are planned as much as 3 months ahead, setting proportions of beef, pork, provisions, and poultry; that loss of one or a few retail customers may be crippling and therefore threat of loss becomes a power instrument. It is alleged that short-run retail price bears little immediate relation to carcass or to live prices and that returns have fallen to mere survival levels. Similar complaints are made by stockyards and older markets and marketing agencies that have been partly bypassed. Feeders and growers allege that pressures impinging on packers are quite harsh on them also.

(2) Canners, freezers, and dehydrators allege that 10 years ago there were firm and actionable purchase contracts by retailers who took inventory costs and risks and bought at a firm advance price. Now they contend that there are merely statements of intent to buy instead of contracts; that they carry the product in inventory with all costs and risks; that often they must pack precisely to customer specifications, buy and affix retailer labels, and sell on a market-price-at-time-of-shipment basis with little real or usable alternative sales outlets.

No segment or product line of the food industry appears to be unaffected.

The traditional marketing system had many built-in protections. It was competitive and dispersed. It was a visible system whose workings were exposed to easy view by both buyer and seller.

The current system is much less patterned and uniform. It is a mosaic of the big and small, of central markets and decentralized trading. Traditional trading remains alongside of telescoped integration that often eliminates trading.

The scope and nature of these changes are by no means fully known. Their effects on farmers, distributors, and consumers are even less well known and understood. The present market structure is not necessarily suspect, either generally or in particular cases. But to the extent that a traditionally open market organization may have disappeared there may well exist a potential threat of grave abuses.

At issue here is not merely what has happened to the food industry of this country. At issue also is the kind of food industry the Nation needs two decades from now. We need to know what we should do to meet our needs and what the proper role of Government is in seeking our goals. In summary, we deal not only with the food industry, but with the shape of the American economy and the kind of a nation in which our children will live.

Involved in these matters are annual retail food sales of \$70 billion, employment for about 11 million wage earners, and operations that daily touch the life of every American and significantly affect the growth and stability of the economy.

I believe that the proposed Commission, with appropriate staff and full cooperation from other Federal agencies which are able to contribute to its work, can develop the required information, and it can help to chart desirable courses of action by Government and by the industries involved in these rapid and far-reaching changes.

I would hope for prompt enactment of this legislative proposal in order that the Commission may start its important work at an early date.

ORVILLE L. FREEMAN.

JOINT RESOLUTION To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

Whereas the food industry of the United States (herein used to refer to animal and human foods of farm origin) is an important sector of the total economy which involves expenditures of about 70 billion dollars per year at retail, employs about eleven million wage earners, daily touches the life of every American consumer, and significantly affects the stability and growth of the American economy; and

Whereas, in the past two decades, significant changes have occurred in the relationships among components of the food industry and in market organization, production, processing, and distribution of food and food products; and

Whereas these changes involve the nature and extent of integration and diversification, supply sources and relationships, and prices and other terms of sale at the several stages of production, processing, and distribution of food and food products; and

Whereas Government, industry, and the public urgently need information to sustain informed judgments on the nature, causes, and effects of these changes; and

Whereas it is clearly essential that a comprehensive and objective inquiry be made into the nature, causes, and effects of changes in the food industry to determine desirable objectives in the public interest: Therefore be it

Resolved by the Senate and the House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry.

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions. In connection therewith the Commission is authorized:

(1) To require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submissions shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) To administer oaths;

(3) To require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) In the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) In any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) To pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to request directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(b) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the

Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as it deems necessary for the conduct of its business.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an Executive Director and such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided*, That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further*, That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this Joint Resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(a).

DEPARTMENT OF AGRICULTURE,
Washington, D.C., April 30, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of April 2, 1964, requesting a report on Senate Joint Resolution 71, as amended, introduced by Senator McGee on April 1, 1964, to establish a National

Commission on Food Marketing to study the food industry from the farm to the consumer.

This Department recommends that Senate Joint Resolution 71, as amended, be passed.

The legislation provides for the establishment of a bipartisan Commission to study and appraise the marketing structure of the food industry from the farmer to the consumer. The Commission would be composed of 15 members, 5 Members of the Senate to be appointed by the President of the Senate, 5 Members of the House of Representatives to be appointed by the Speaker of the House and 5 Members to be appointed by the President from outside the Federal Government. The Commission would employ the services of a professional staff and would complete its work and make a final report to the President and the Congress by July 1, 1966.

The proposed legislation incorporates the bill which was transmitted by President Johnson to the President pro tempore of the Senate and the Speaker of the House of Representatives on April 1, with his recommendation for enactment. It carries out the recommendation contained in the President's agricultural message of January 31, 1964, that the Congress establish a bipartisan commission to study and appraise changes in the marketing structure for distribution of food, so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibilities to consumers.

Agriculture has a vital stake in the proposed inquiry. During the years since the end of World War II farmers have become increasingly efficient. Yet, they have continued to have serious income problems. Productivity per man-hour in farming has increased at an annual rate of 5.6 percent—twice the growth rate in other segments of the economy. Yet, the farmer's share of the consumer food dollar has declined steadily, from 53 cents in 1945 to 37 cents in 1963. Farmers' incomes today are estimated to be only about 60 percent of incomes earned by those who enjoy the abundance of agriculture.

The Department of Agriculture has acted on many fronts to combat the problems of overproduction and underconsumption, to deal with the human and social problems of abundance and to strengthen the position of the family farm in the United States. As we have gone about this work, we have become increasingly aware of the fact that two revolutions have been taking place in the food sector of our economy. The first is the well-known revolution in agricultural production. The second is the revolution which has been taking place in the marketing of food and agricultural products. This revolution in marketing is as far reaching in its implications as the better known revolution in food production. Yet, it is much less appreciated and understood.

Some aspects of this marketing revolution are readily apparent and well known. Data from many sources dramatize the trend toward fewer, larger, and more specialized operating units throughout the food industry, from the farmer to the retail store. This has resulted in significant concentrations of market power at many points in the marketing system.

In addition to these visible changes, there have been more subtle changes taking place in business relationships and business conduct which have profoundly affected the food marketing system. Many

economic studies and investigations have given partial pictures of these developments. However, we do not have adequate information concerning the operation of the total marketing system to make meaningful evaluations.

The proposed Marketing Commission would seek answers to vital questions concerning the food marketing system of the Nation, such as: Where are present changes heading? What kind of a food marketing system do we want? What changes, if any, are needed in public and private policies and programs in order to achieve this goal?

An independent Commission such as that proposed by Senate Joint Resolution 71, as amended, is the most promising means of obtaining answers to these questions. The Commission, with appropriate staff and full cooperation from other Federal agencies which are able to contribute to its work, can develop the required information and can help to chart desirable courses of action by government and by industry.

The food industry is a major segment of our economic life, involving annual retail food sales of \$70 billion, employment for about 11 million wage earners, and operations that daily touch the life of every American and significantly affect the growth and stability of the economy.

The pace of change in the food industry is rapid and accelerating. We urge prompt action on the proposed legislation so that the Commission may begin its work with a minimum of delay.

The Bureau of the Budget advises that there is no objection to the presentation of this report and that enactment of the joint resolution, as amended, would be in accord with the President's program.

Sincerely yours,

CHARLES S. MURPHY, *Acting Secretary.*

FEDERAL TRADE COMMISSION,
Washington, D.C., April 29, 1964.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your letter of April 2, 1964, requesting the Federal Trade Commission to comment on Senate Joint Resolution 71, 88th Congress, 2d session, as amended on April 1, 1964, a joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

The subject amended resolution would create a Commission to be composed of 15 members including (1) 5 Members of the Senate, to be appointed by the President of the Senate; (2) 5 Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) 5 members to be appointed by the President from outside the Federal Government.

The purpose of the Commission is to study and appraise the market structure of the food industry and to make appropriate recommendations for actions by the Government or by private enterprise. It is also to make such interim reports as it deems advisable, and to make a final report to the President and to the Congress by July 1, 1966.

The Commission or any of its members is authorized to conduct hearings. The Commission is also given the power to require, by special or general orders, reports from corporations, business firms, and individuals and also to receive from such parties, answers to such questions as the Commission may prescribe. The Commission has the power to administer oaths and issue subpoenas, ad testificandum and duces tecum.

Any district court of the United States within whose jurisdiction an inquiry is carried on is empowered to enforce subpoenas and orders of the Commission and a failure to obey an order of compliance of the court may be punished by the court as contempt thereof.

The Federal Trade Commission endorses the purpose and objective of the subject resolution.

We are convinced that a study of the entire food industry will be very much in the public interest. It is our belief that through an investigation of this industry much data could be secured to aid in the determination of what practices if any in the industry are violative of the antitrust laws and also whether the present laws are adequate to protect the public.

For over three decades the Federal Trade Commission has devoted a substantial share of its limited resources to the preservation of competition in the food industry. We are attaching hereto a list of the Federal Trade Commission's reports dealing with the problems of agriculture and food distribution.

The Federal Trade Commission will, within the limits of its personnel, budget and statutory duties, cooperate in every way to assist the proposed Commission in the performance of its duties.

By direction of the Commission.

PAUL RAND DIXON, *Chairman*.

NOTE.—Pursuant to regulations, this report was submitted to the Bureau of the Budget on April 29, 1964, and on the same day, the Bureau of the Budget advised that there is no objection to the submission of this report and that enactment of Senate Joint Resolution 71, as amended, is in accord with the President's program.

JOSEPH W. SHEA, *Secretary*.

FTC ECONOMIC INQUIRIES WHICH DEALT WITH VARIOUS ASPECTS OF THE FOOD INDUSTRY

Agriculture:

Interim Report of FTC on the Agricultural Income Inquiry (1935, Congress, 6 pages).

Interim Report of FTC on the Agricultural Income Inquiry Fruits and Vegetables (1937, Congress, 16 pages).

Agricultural Income Inquiry: Part I—Principal Farm Products (1938, Congress, 1,134 pages).

Agricultural Income Inquiry: Part II—Fruits, Vegetables, and Grapes (1938, Congress, 906 pages).

Agricultural Income Inquiry: Part III (1937, Congress, 154 pages).

Agricultural Implement and Machinery Industry (1938, Congress, 1,176 pages).

Baking:

- Report on Bakery Combines and Profits (1927, Senate, 95 pages).
- Report on Wholesale Baking Industry: Part I—Waste in the Distribution of Bread (1946, FTC, 25 pages).
- Report on Wholesale Baking Industry: Part II and Summary, Costs, Prices, and Profits (1946, FTC, 137 pages).
- Report on Competition and Profits in Bread and Flour (1928, Senate, 509 pages).

Beet sugar:

- The Beet Sugar Industry in the United States (1917, Commerce, 164 pages).

Canned foods:

- Canned Foods—Canned Salmon (1918, President, 83 pages).
- Canned Foods—Vegetables and Fruits (1918, President, 103 pages).

Competition:

- Prices and Competition Among Peanut Mills (1932, Senate, 78 pages).

Distribution:

- Distribution Methods and Costs: Part I—Important Food Products (1943, FTC, 223 pages).
- Distribution Methods and Costs: Part IV (1944, FTC, 189 pages).
- Distribution Methods and Costs: Part V—Advertising as a Factor in Distribution (1944, FTC, 50 pages).
- Distribution Methods and Costs: Part VI—Milk Distribution Prices, Spreads, and Profits (1945, FTC, 58 pages).
- Distribution Methods and Costs: Part VII—Cost of Production and Distribution of Fish in the Great Lakes Area (1945, FTC, 59 pages).
- Distribution Methods and Costs: Part VIII—Cost of Production and Distribution of Fish in New England (1945, FTC, 118 pages).
- Distribution Methods and Costs: Part IX—Cost of Production, and Distribution of Fish on the Pacific Coast (1946, FTC 82 pages).

Flour:

- Report on Commercial Wheat Flour Milling (1920, FTC, 118 pages).
- Flour Milling and Jobbing (1918, President, 27 pages).
- Report on Conditions in the Flour-Milling Business (1932, Senate, 26 pages).
- Report on Wheat Flour Milling Industry (1924, Senate, 130 pages).
- Report on Competitive Conditions in Flour Milling (1926, Senate, 140 pages).
- Report on Growth and Concentration in the Flour Milling Industry (1947, FTC, 36 pages).
- Report on Competition and Profits in Bread and Flour (1928, Senate, 509 pages).

Food chains:

Chain Store Inquiry (1929-35, Congress, 33 volumes).

Economic Inquiry Into Food Marketing, Part I—Concentration and Integration in Retailing (January 1960, FTC, 338 pages).

Economic Inquiry Into Food Marketing, Part II—The Frozen Fruit, Juice, and Vegetable Industry (December 1962, FTC, 145 pages).

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D.C., April 30, 1964.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR SENATOR: This is in response to your request for the views of the Department of Justice concerning Senate Joint Resolution 71 (as amended), to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

The joint resolution as amended provides for the establishment of a bipartisan National Commission on Food Marketing consisting of five Members of the Senate, five Members of the House of Representatives and five nongovernmental members. The duty of the Commission would be to "study and appraise the marketing structure of the food industry" including past and prospective changes in the industry, the kind of industry which would be required in order to achieve optimal efficiency as well as optimal competitiveness at all stages of production and distribution, and changes in the industry and/or existing law which would be required to achieve this optimal condition. The Commission would also be charged with the duty of studying the effectiveness of present Federal services and regulatory activities with respect to the industry and of recommending appropriate actions to be taken by the Government and by private enterprise. It is required to submit a final report to the President and to the Congress by July 1, 1966.

The broad scale investigation contemplated by the joint resolution could have a salutary effect upon the continuing endeavor to foster competition in the business world. By providing the opportunity to study in depth the need for further improvements or additions to existing law, the resolution has substantial merit. Accordingly, the Department of Justice favors its enactment.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

NICHOLAS DEB. KATZENBACH,
Deputy Attorney General.

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., May 1, 1964.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department with respect to Senate Joint Resolution 71 (amended), a joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

The Commission would be composed of 15 members, including (1) 5 Members of the Senate, to be appointed by the President of the Senate; (2) 5 Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) 5 members to be appointed by the President from outside the Federal Government.

The Commission is to study and appraise the marketing structure of the food industry, focusing on the nature of the actual changes over the past two decades in the various segments of the food industry, on the changes likely to materialize if present trends continue, on the kind of food industry which would assure efficiency of production, processing, and distribution and yet provide acceptable competitive alternatives to all parties involved, and on the changes in public policy which would seem advisable in this area.

The joint resolution specifies the powers of the Commission and calls for funds not to exceed \$2,500,000, to support its work. The Commission is to make a final report to the President and to the Congress by July 1, 1966.

The Department of Commerce recommends enactment of Senate Joint Resolution 71.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report, and further, that enactment of Senate Joint Resolution 71 (amended) would be in accord with the program of the President.

Sincerely,

ROBERT E. GILES.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, April 29, 1964.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate.*

DEAR MR. CHAIRMAN: This is in reply to your request of April 2, 1964, acknowledged April 6, for our comment on the revised Senate Joint Resolution 71, entitled "Joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer."

We have no special knowledge or information to offer for your consideration regarding the merit of the proposed legislation but invite your attention to several administrative provisions of the bill.

Subsection (a) of section 3 provides that Members of Congress who are members of the Commission "shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the

performance of the duties vested in the Commission." The quoted provision would authorize payment of traveling expenses on an actual expense basis. We suggest for your consideration the advisability of also providing for a mileage allowance for the use of privately owned conveyances and a per diem allowance in lieu of actual expenses for subsistence, commuted payments not apparently authorized as the subsection is now written.

Subsection (b) of section 3 provides for the travel expenses and per diem in lieu of subsistence of members of the Commission from outside the Federal Government. However, it is not clear whether the phrase on lines 19 to 21, page 2, "as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently," refers to "travel expenses" as well as "per diem in lieu of subsistence." If the qualification is as to both travel expenses and per diem in lieu of subsistence it is suggested a comma be inserted after "subsistence," line 19, page 2, of the bill.

Subsection (d) of section 6, after stating the Commission shall be furnished financial and administrative services by the General Services Administration, provides that the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments, prescribed pursuant to 5 U.S.C. 46e (erroneously cited as 5 U.S.C. 46c), and the Administrator's regulations for the administrative control of funds, prescribed under 31 U.S.C. 665(g), shall apply to the collection of erroneous payments made Commission employees and to the appropriations of the Commission, respectively. The subsection goes on to further provide "That the Commission shall not be required to prescribe such regulations." We suggest the latter provision lends itself to several interpretations and should be redrafted for clarity of purpose.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

CHANGES IN EXISTING LAW

There are no changes in existing law.



S. J. RES. 71

[Report No. 1022]

IN THE SENATE OF THE UNITED STATES

APRIL 26, 1963

Mr. McGEE introduced the following joint resolution; which was read twice and referred to the Committee on Commerce

APRIL 1 (legislative day, MARCH 30), 1964

Amended by unanimous consent; title amended, and ordered to be printed

MAY 12 (legislative day, MARCH 30), 1964

Reported by Mr. McGEE, with amendments

[Omit the part struck through and insert the part printed in italic]

JOINT RESOLUTION

To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*
3 That there is hereby established a bipartisan National Com-
4 mission on Food Marketing (hereinafter referred to as the
5 "Commission").

6 SEC. 2. ORGANIZATION OF THE COMMISSION.—(a)
7 The Commission shall be composed of fifteen members, in-
8 cluding (1) five Members of the Senate, to be appointed
9 by the President of the Senate; (2) five Members of the

1 House of Representatives, to be appointed by the Speaker
 2 of the House of Representatives; and (3) five members
 3 to be appointed by the President from outside the Federal
 4 Government.

5 *(b) The President shall designate a Chairman from*
 6 *among the members of the Commission.*

7 ~~(b)~~ *(c)* Any vacancy in the Commission shall not affect
 8 its powers and shall be filled in the same manner as the
 9 original position.

10 ~~(c)~~ *(d)* Eight members of the Commission shall con-
 11 stitute a quorum.

12 SEC. 3. COMPENSATION OF MEMBERS.—(a) Members
 13 of Congress who are members of the Commission shall serve
 14 without compensation in addition to that received for their
 15 services as Members of Congress; but they shall be reim-
 16 bursed for travel, subsistence, and other necessary expenses
 17 incurred by them in the performance of the duties vested in
 18 the Commission.

19 (b) Each member of the Commission who is appointed
 20 by the President may receive compensation at the rate of
 21 \$100 for each day such member is engaged upon work of
 22 the Commission, and shall be reimbursed for travel expenses,
 23 including per diem in lieu of ~~subsistence~~ *subsistence*, as au-
 24 thorized by law (5 U.S.C. 73b-2) for persons in the Govern-
 25 ment service employed intermittently.

1 SEC. 4. DUTIES OF THE COMMISSION.—(a) The Com-
2 mission shall study and appraise the marketing structure of
3 the food industry, including the following:

4 (1) The actual changes, principally in the past two
5 decades, in the various segments of the food industry;

6 (2) The changes likely to materialize if present trends
7 continue;

8 (3) The kind of food industry that would assure effi-
9 ciency of production, assembly, processing, and distribution,
10 provide appropriate services to consumers, and yet maintain
11 acceptable competitive alternatives of procurement and sale
12 in all segments of the industry from producer to consumer;

13 (4) The changes in statutes or public policy, the orga-
14 nization of farming *and other food production* and of food
15 assembly, processing, and distribution, and the interrelation-
16 ships between segments of the food industry which would be
17 appropriate to achieve a desired distribution of power as
18 well as desired levels of efficiency; and

19 (5) The effectiveness of the services and regulatory
20 activities of the Federal Government in terms of present and
21 probable developments in the industry.

22 (b) The Commission shall recommend such actions by
23 Government or by private enterprise and individuals as it
24 deems appropriate.

25 (c) The Commission shall make such interim reports

as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of ~~opinions~~ *opinions pertinent to the study*. In connection therewith the Commission is ~~authorized~~—*authorized by majority vote*—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power

1 to administer oaths, and in such instances to compel
2 testimony and the production of evidence in the same
3 manner as authorized under subparagraph (3) and (4)
4 above; and

5 (6) to pay witnesses the same fees and mileage as
6 are paid in like circumstances in the courts of the United
7 States.

8 (b) Any district court of the United States within the
9 jurisdiction of which an inquiry is carried on may, in case
10 of refusal to obey a subpoena or order of the Commission
11 issued under paragraph (a) of this section, issue an order
12 requiring compliance therewith; and any failure to obey
13 the order of the court may be punished by the court as a
14 contempt thereof.

15 (c) The Commission is authorized to ~~request~~ *require*
16 directly from the head of any Federal executive department
17 or independent agency ~~available~~ information deemed useful in
18 the discharge of its duties. All departments and independent
19 agencies of the Government are hereby authorized *and*
20 *directed* to cooperate with the Commission and to furnish all
21 information requested by the Commission to the extent
22 permitted by law.

23 (d) The Commission is authorized to enter into contracts
24 with Federal or State agencies, private firms, institutions, and

1 individuals for the conducting of research or surveys, the
2 preparation of reports, and other activities necessary to the
3 discharge of its duties.

4 (e) When the Commission finds that publication of any
5 information obtained by it is in the public interest and would
6 not give an unfair competitive advantage to any person, it is
7 authorized to publish such information in the form and
8 manner deemed best adapted for public use, except that
9 data and information which would separately disclose the
10 business transactions of any person, trade secrets, or names
11 of customers shall be held confidential and shall not be dis-
12 closed by the Commission or its staff: *Provided, however,*
13 That the Commission shall permit business firms or indi-
14 viduals reasonable access to documents furnished by them
15 for the purpose of obtaining or copying such documents as
16 need may arise.

17 (f) The Commission is authorized to delegate any of
18 its functions to individual members of the Commission or
19 to designated individuals on its staff and to make such rules
20 and regulations as ~~it deems~~ *are* necessary for the conduct of
21 ~~its business~~ *business, except as otherwise provided.*

22 SEC. 6. ~~ADMINISTRATIVE ARRANGEMENTS.~~—(a) The
23 Chairman of the Commission is authorized, without regard
24 to the civil service laws and regulations or the Classification
25 Act of 1949, as amended, to appoint and fix the compensa-

1 tion of an executive director and such additional personnel
2 as may be necessary to carry out the functions of the Com-
3 mission, but no individual so appointed shall receive com-
4 pensation in excess of the rate authorized for GS-18 under
5 the Classification Act of 1949, as amended.

6 *SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a)*
7 *Without regard to the civil service laws and regulations or*
8 *the Classification Act of 1949, as amended, the Chairman*
9 *of the Commission is authorized to appoint and fix the com-*
10 *pen-sation of an executive director, and the executive director,*
11 *with the approval of the Chairman, is authorized to appoint*
12 *and fix the compensation of such additional personnel as*
13 *may be necessary to carry out the functions of the Commis-*
14 *sion, but no individual so appointed shall receive compensa-*
15 *tion in excess of the rate authorized for GS-18 under the*
16 *Classification Act of 1949, as amended.*

17 (b) The Chairman is authorized to obtain services in
18 accordance with the provisions of section 15 of the Act of
19 August 2, 1946 (5 U.S.C. 55a), but at rates for individuals
20 not to exceed \$100 per diem.

21 (c) The head of any executive department or inde-
22 pendent agency of the Federal Government is authorized to
23 detail, on a reimbursable basis, any of its personnel to assist
24 the Commission in carrying out its work.

25 (d) Financial and administrative services (including

1 those related to budgeting and accounting, financial report-
 2 ing, personnel, and procurement) shall be provided the Com-
 3 mission by the General Services Administration, for which
 4 payment shall be made in advance, or by reimbursement,
 5 from funds of the Commission in such amounts as may be
 6 agreed upon by the Chairman of the Commission and the Ad-
 7 ministrator of General Services: *Provided*, That the regula-
 8 tions of the General Services Administration for the collec-
 9 tion of indebtedness of personnel resulting from erroneous
 10 payments ~~(5 U.S.C. 46e)~~ (5 U.S.C. 46e) shall apply to the
 11 collection of erroneous payments made to or on behalf of a
 12 Commission employee, and regulations of said Administrator
 13 for the administrative control of funds (31 U.S.C. 665 (g))
 14 shall apply to appropriations of the ~~Commission~~: *Commission*.
 15 *Provided further*, That the ~~Commission~~ shall not be required
 16 to prescribe such regulations.

17 (e) Ninety days after submission of its final report, as
 18 provided in section 4(c), the Commission shall cease to
 19 exist.

20 SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There
 21 is hereby authorized to be appropriated such sums not in ex-
 22 cess of \$2,500,000 as may be necessary to carry out the pro-

1 visions of this joint resolution. Any money appropriated
2 pursuant hereto shall remain available to the Commission
3 until the date of its expiration, as fixed by section 6 (e) .

Amend the title so as to read: “A joint resolution to
establish a National Commission on Food Marketing to study
the food industry from the producer to the consumer.”

S. J. RES. 71

[Report No. 1022]

JOINT RESOLUTION

To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

By Mr. McGEHE

APRIL 26, 1963

Read twice and referred to the Committee on
Commerce

APRIL 1 (legislative day, MARCH 30), 1964

Amended by unanimous consent; title amended, and
ordered to be printed

MAY 12 (legislative day, MARCH 30), 1964

Reported with amendments

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued May 14, 1964
For actions of May 13, 1964
88th-2nd; No. 95

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HIGHLIGHTS: Sens. Mundt and Hruska charged Agriculture-State considering curb on sugar beet production. Sen. Humphrey stated action on food marketing study bill to be postponed until action completed on civil rights bill. House committee reported food marketing commission bill. Rep. Bromwell criticized administration's livestock policies.

SENATE

1. ALASKA; DISASTER RELIEF. Passed as reported S. 2772, to authorize \$23,500,000 for additional transitional grants to Alaska and extend to June 30, 1966, the time in which Federal agencies may provide interim services and facilities to the State. pp. 10483-5
Sen. Gruening inserted an article in support of his and Sen. Magnuson's criticism of the disaster loan rate being charged Alaska firms and stating that SBA could by law "impose less interest--or no interest at all" as is the case in many U. S. loans to foreign governments. pp. 10479-80
2. CIVIL RIGHTS. Continued debate on S. 7152, the civil rights bill. pp. 10443, 10454-78, 10499-506
3. TRANSPORTATION. Sen. Monroney was added as a cosponsor of S. 2796, to provide for strengthening and improving the national transportation system. p. 10419

4. WILDERNESS. Sen. Morse paid tribute to the late Dr. Howard Zahniser, director of the Wilderness Society. p. 10499
5. FOOD MARKETING. Sen. Humphrey announced that action on S.J. Res. 71, the food marketing study bill, would be postponed until action on the civil rights bill is completed. p. 10454
6. SUGAR. Sens. Mundt and Hruska criticized reports that the Departments of Agriculture and State "are giving thought to curtailing our American beet sugar acreage," and called for increased production of domestic sugar beets to help meet the rising demand for sugar. pp. 10435-6
7. COMMODITY EXCHANGES. Both Houses received from this Department a proposed bill to amend the Commodity Exchange Act so as to provide authority to designate additional commodities to be subject to the Act, to set margin requirements in cases of manipulation, speculation, etc., and to clarify certain language of the Act and enact certain long-standing administrative interpretations; to H. Agriculture and S. Agriculture and Forestry Committees. pp. 10414, 10415
8. RECREATION; FORESTRY. Sen. Morse inserted an article criticizing S. 1137, to provide for the establishment of the Oregon Dunes National Seashore, as being contrary to "the rights and freedoms of the people caught within the boundaries of the proposed Oregon dunes area." pp. 10495-6
9. PURCHASING; SMALL BUSINESS. Sen. McClellan referred to complaints the Government Operations Committee had received over a proposal of the Small Business Administration to close the Advisory Service Center and the possible effects such action might have on bidding by small businesses on Government contracts, and inserted several items discussing the situation. pp. 10438-41
10. ALLIANCE FOR PROGRESS. Sen. Yarborough inserted and commended the President's speech to Latin American ambassadors pledging continued aid to Latin American countries under the Alliance for Progress, including agricultural aid. pp. 10437-8
11. ELECTRIFICATION. The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendment S. 502, to preserve the jurisdiction of the Congress over construction of hydroelectric projects on the Colorado River below Glen Canyon Dam. pp. D371-2
Sen. Metcalf criticized the pricing, stock option, and dividend policies of private utilities, particularly the Montana Power Co. pp. 10422-5

HOUSE

12. FOOD MARKETING. The Agriculture Committee reported with amendments H. J. Res. 977, to establish a National Commission on Food Marketing (H. Rept. 1401). p. 10415
Rep. Curtis inserted an editorial critical of competition between military commissaries and commercial grocery stores and a GAO report stating that a distortion in criteria is used for justifying commissary stores in the U. S. pp. 10390-6
13. LIVESTOCK. Rep. Bromwell criticized the administration's livestock policies including a new proposed policy to expand the livestock industry in Appalachia. p. 10398
14. INDEPENDENT OFFICES APPROPRIATION BILL, 1965. Permission was granted for

NATIONAL COMMISSION ON FOOD MARKETING

MAY 13, 1964.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H.J. Res. 977]

The Committee on Agriculture, to whom was referred the joint resolution (H.J. Res. 977) to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer, having considered the same, report favorably thereon with amendments and recommend that the joint resolution do pass.

The amendments are as follows:

Page 3, beginning on line 19, strike out all of subsection (b).

Page 3, line 22, strike out "(c)" and insert "(b)".

Page 3, line 23, following the word "report" insert "of its findings and conclusions."

Page 3, line 24, strike out "1966" and insert "1965".

Page 4, line 2, strike out "member" and insert "three members".

Page 4, line 4, following the word "opinions" insert "pertinent to the study".

Page 4, line 5, following the word "authorized" insert "by a majority vote".

Page 5, line 14, strike out "request" and insert "require".

Page 5, line 18, following the word "authorized" insert "and directed".

Page 6, line 20, strike out "it deems" and insert "are".

Page 6, line 21, strike out the period at the end of the sentence and insert ", except as herein otherwise provided."

Page 6, line 23, strike out "Chairman of the".

Page 7, line 1, following the words "director and" insert "the executive director, with the approval of the Chairman, shall employ and fix the compensation of".

Page 8, line 7, strike out "(c)" and insert "(b)".

Page 8, line 11, strike out "\$2,500,000" and insert "\$1,500,000".

GENERAL STATEMENT

The purpose of this resolution is to establish a National Commission on Food Marketing to make a thorough study of the food industry from the farmer to the consumer. This Commission is to be made up of 15 members. The resolution states this Commission is to be bipartisan in nature and the committee has indicated its feeling that this means that the 10 members that are to be appointed from the Congress—5 from the House and 5 from the Senate—should represent as nearly as possible the ratio of the major parties in the two Houses of the Congress.

Americans today enjoy the lowest food prices—less than 19 percent of take-home pay—in relation to consumer income in the history of the world. One of the reasons for this tremendous boon is the revolution in production that has taken place on the American farm. Today less than 8 percent of our population produces the food and fiber for all of the population plus an amount that is shared with those abroad in the form of \$4 billion in exports for dollars and \$2 billion in exports through food-for-peace programs.

The farmer's successes in the area of improved production have not brought to them the security and income that such an achievement should normally produce. His share of the food dollar spent by the consumer has declined steadily from 47 cents in 1950 to 37 cents today. In the past 16 years the prices received by farmers for their products have dropped 12 percent, while the prices paid by consumers for farm-produced food have increased by 29 percent.

There has been no satisfactory explanation for the sharp increase in spread between what farmers receive for what they sell and what the consumer pays for the food he purchases in the marketplace. Noteworthy examples are bread and beef.

The retail price of bread has increased from about 14 cents to about 22 cents in the past 15 years, yet the amount the farmer receives out of the sale price of each loaf of bread for the wheat in that bread has declined slightly. The marketing spread has increased about 80 percent. A recent study of the baking industry has indicated that part of the increase in cost is a result of inefficient use of resources by the industry.

There is no comparable study for beef, but the farm-retail price spread has increased sharply—from about 22 cents a pound to 36 cents a pound in the past 15 years. There is evidence that the increase is largely at the retail level. The farm-retail spread for pork over the same period is much smaller than for beef, and we do not know why. It indicates that pricing policies may have more to do with the beef price spread than changes in cost.

The great efficiency of the American marketing system has helped produce the abundance available to the American consumer at the lowest prices in the history of the world. During the last few years, a revolution has also taken place in the marketing system for farm products.

Until recently, our food and fiber reached the consumer through an open system of markets, usually free of widespread or continued domination by any of its elements. The operation of the market was impersonal, visible, and often largely self-regulated. This system had developed to channel the output of our farms through the processing segment into a retail system made up of many thousands of small

and independent grocery stores owned by individual operators. To-day we have developed the great system of chainstores which carry on the bulk of the retail grocery business—in fact, about two-thirds of that business. This concentration has reduced the number of buyers from many to only about 2,000 persons making the buying decisions for 90 percent of all retail grocery outlets. These new merchandising developments are being met by an almost completely new system of processing and buying. The rise of mass buyers has given birth to new methods and techniques of procurement and processing that are by their very nature much less open to the view of the public.

These changes have not been carefully studied and the effect that they have had on the farmer as well as the consumer is not known. Have the changes had a good or bad effect on the retailing of food and should they be allowed to continue on their present course? These are questions that the Commission will answer for the Government and the public.

There are four questions to which answers are needed and it is intended that the Commission will furnish answers to these questions from the study that it will undertake. These questions are:

(1) What changes actually have occurred in the size, concentration, and business relationship of food marketing firms?

(2) What will the food industry be like in the future if present trends continue?

(3) Will this food industry structure be consistent with the national longrun interest? What will be the effect of this structure on the family farm—on the consumer?

(4) What kind of food marketing system do we want?

The American public is vitally interested in the information that will be disclosed by the study to be performed by the National Commission on Food Marketing. The public is vitally concerned that our system will continue to furnish a great abundance of food and fiber at low costs. The Congress and the Executive will carefully consider the recommendations and findings of the Commission when its work is completed. The Committee on Agriculture urges prompt action on this legislation so that the members can be appointed and the staffs employed to begin the study as soon as possible.

HEARINGS

The House Committee on Agriculture held 3 full days of hearings on this legislation. The Secretary of Agriculture appeared on the first day and gave his unqualified endorsement of the legislation. Representatives of the major farm organizations, the National Grange, the National Farmers Union, and the American Farm Bureau Federation, appeared and submitted testimony in support of the legislation. Other witnesses, all in support of the bill, included the National Association of Retail Grocers of the United States, the Missouri Farmers Association, the Amalgamated Meat Cutters & Butcher Workmen (AFL-CIO), the National Council of Farmer Cooperatives, and the National Potato Council. Four Members of Congress, Hon. James Roosevelt of California, Hon. Glenn Cunningham of Nebraska, Hon. Robert W. Kastenmeier of Wisconsin, and Hon. Benjamin Rosenthal of New York, all appeared and made statements supporting enactment of House Joint Resolution 977.

The bill was voted to be reported, after amendment, by unanimous vote of the committee.

COMMITTEE AMENDMENTS

Nature of the report: The committee amendments on page 3 deal with the nature of the report to be filed by the committee. Subsection (b), which has been stricken by the committee, imposed upon the Commission the duty of recommending "such actions by Government or by private enterprise and individuals as it deems appropriate." It seems to the committee that the most appropriate function of the Commission to be established by this legislation is to study the subject to which it has been assigned as thoroughly as possible and to draw therefrom the soundest possible findings and conclusions, rather than to recommend a course of action for either the Government or private industry. The Commission's findings and conclusions can be based upon its research and the facts and opinions developed during its studies. The translation of its findings and conclusions into action, however, requires consideration of all other factors which the Government and private industry deal, some of these factors are completely unrelated to the subject matter of this study. It seems to the committee, therefore, that the time and energy of the Commission will be conserved and its effectiveness probably increased if it is able to concentrate on the single broad subject to which it has been assigned, rather than being required also to relate its findings in this field to all of the other aspects of our national and economic life and translate these findings and conclusions into specific recommendations for action.

Time and cost of the study: The amendment on page 3, line 24, reducing by 1 year (to July 1, 1965) the time allotted for the study, is related to the committee amendment to section 7 which reduces by \$1 million (to \$1,500,000) the amount authorized to be appropriated for expenses of the Commission. Both of these are related to the amendments discussed immediately above which would eliminate from the Commission's responsibilities the duty of translating its findings and recommendations into recommendations of governmental and private action.

In reducing the time and the money allotted the Commission to accomplish its mission, the committee is not seeking to limit or curtail the Commission's studies in any way. Rather, it is expressing the hope and the belief that it may be possible for the Commission to accomplish its urgent task more quickly and with somewhat less expenditure of money than originally contemplated. This committee would welcome an interim report from the Commission after it is well embarked upon its study and if its experience at that time indicates that it will, indeed, require more time and more money to accomplish its objective than the committee amendments would permit, the request can then be made for an extension of time and for additional funds.

Powers of the Commission: The committee amendments to section 5(a) make the following three changes: (1) Require that hearings be conducted by at least three members of the Commission (instead of one); (2) limit the Commission's authority to secure data and expression of opinions to those data and opinions which are pertinent to the study being conducted by the Commission; and (3) require a majority

vote of the Commission for the exercise of the powers authorized to it in section 5(a).

The committee amendments to subsection 5(c) will strengthen the authority of the Commission to obtain information from Federal agencies, authorizing it to require (instead of request) information from such agencies and directing (as well as authorizing) governmental agencies to cooperate with the Commission in the furnishing of such information.

The committee amendment to subsection 5(f) would require the Commission, under proper circumstances, to make a showing that its rules and regulations are necessary for the conduct of its business.

Employment of staff: The committee amendments to section 6 will require that the Commission (instead of the Chairman of the Commission) shall appoint and fix the compensation of the Executive Director and that the Executive Director (instead of the Chairman) shall, with the approval of the Chairman, employ and fix the compensation of other employees.

EXECUTIVE COMMUNICATIONS

Following is the letter from the President to the Speaker of the House, recommending enactment of this legislation:

APRIL 1, 1964.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: I recommend that the Congress enact legislation establishing the bipartisan commission to study and appraise the changes taking place in the American food industry. Enclosed is a draft bill which will accomplish this.

The growth and stability of our entire economy depends, to a large extent, upon the food industry. Its vitality and strength are important to the farmers, processors, distributors, and retailers who depend upon it for their livelihood. Its practices affect all of us as consumers.

Information is not now available to permit an informed judgment concerning the effect of the recent changes in the food industry. We do not know whether the benefits of advanced technology are being fairly distributed among farmers, processors, distributors, retailers, and consumers. We do not know whether shifts in bargaining power require new laws. We do not know enough about the new character of the industry to determine the extent of the benefits and the need for any relief from hardship which may be necessary.

The Commission would gather the necessary information and report to the Congress, the President, and the public.

In addition to the draft bill, there is also enclosed a memorandum from the Secretary of Agriculture explaining the need for the legislation in more detail.

Sincerely,

LYNDON B. JOHNSON.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, March 24, 1964.

Memorandum.

To: The President, the White House.

From: Orville L. Freeman, Secretary of Agriculture.

Our economy is constantly changing, and we know little about the effects of change—particularly in the food industry. The farmer produces food more successfully than ever before, yet success has not been rewarded as we expect industriousness and efficiency to be rewarded. The food processor has grown large and efficient, yet he is fighting hard to maintain his corporate identity. The housewife has available a greater variety of food products than ever before, but she is less able to distinguish fact from fancy in food advertising than ever before. The food retailer, once the tail end of the food marketing chain, is rapidly becoming the dominant influence in the food industry.

All these developments indicate that a revolution in food marketing as far reaching as the revolution in production has taken place. It points to the need for a comprehensive study of our food marketing system, and I am, therefore, transmitting a proposed joint resolution to establish a National Commission on Food Marketing. The bipartisan commission could be composed of 15 members, 5 from the Senate, 5 from the House, and 5 appointed by the President from private life.

It would investigate and document the changing structure of the marketing system for farm and food products, identify the problems raised for various segments of our society by those changes, and recommend such actions by Government, private enterprise, or individuals as it deems appropriate to facilitate adjustments or to improve the marketing structure.

Business relationships among segments of the marketing structure have undergone the greatest change. For some products the central market for buying and selling has at least in part been replaced by direct trading between individual farmers and processors or retailers, with trading itself giving way sometimes to contractual relationships. Shifts in market power, and in formal and informal corporate organizations appear to be taking place. In consequence, many farm groups throughout the country are undertaking measures to strengthen the farmer's bargaining position in selling his products.

There are many examples of these changes in marketing practices, but I will cite only two:

(1) Beef is a lead item at retail. Per capita consumption has risen sharply and quality and service have improved greatly. Some packers—big and little—contend that retailers impose and enforce stringent specifications for product and delivery; that there is price leadership; that retail sales are planned as much as 3 months ahead, setting proportions of beef, pork, provisions, and poultry; that loss of one or a few retail customers may be crippling and, therefore, threat of loss becomes a power instrument. It is alleged that short run retail price bears little immediate relation to carcass or to live prices and that returns have fallen to mere survival levels. Similar complaints are made by stockyards and older markets and marketing

agencies that have been partly bypassed. Feeders and growers allege that pressures impinging on packers are quite harsh on them also.

(2) Cannery, freezers, and dehydrators allege that 10 years ago there were firm and actionable purchase contracts by retailers who took inventory costs and risks and bought at a firm advance price. Now they contend that there are merely statements of intent to buy instead of contracts; that they carry the product in inventory with all costs and risks; that often they must pack precisely to customer specifications, buy and affix retailer labels, and sell on a market-price-at-time-of-shipment basis with little real or usable alternative sales outlets.

No segment or product line of the food industry appears to be unaffected.

The traditional marketing system had many built-in protections. It was competitive and dispersed. It was a visible system whose workings were exposed to easy view by both buyer and seller.

The current system is much less patterned and uniform. It is a mosaic of the big and small, of central markets, and decentralized trading. Traditional trading remains alongside of telescoped integration that often eliminates trading.

The scope and nature of these changes are by no means fully known. Their effects on farmers, distributors, and consumers are even less well known and understood. The present market structure is not necessarily suspect, either generally or in particular cases. But to the extent that a traditionally open market organization may have disappeared there may well exist a potential threat of grave abuses.

At issue here is not merely what has happened to the food industry of this country. At issue also is the kind of food industry the Nation needs two decades from now. We need to know what we should do to meet our needs and what the proper role of Government is in seeking our goals. In summary, we deal not only with the food industry, but with the shape of the American economy and the kind of a nation in which our children will live.

Involved in these matters are annual retail food sales of \$70 billion, employment for about 11 million wage earners, and operations that daily touch the life of every American and significantly affect the growth and stability of the economy.

I believe that the proposed Commission, with appropriate staff and full cooperation from other Federal agencies which are able to contribute to its work, can develop the required information, and it can help to chart desirable courses of action by Government and by the industries involved in these rapid and far-reaching changes.

I would hope for prompt enactment of this legislative proposal in order that the Commission may start its important work at an early date.

ORVILLE L. FREEMAN.



H. J. RES. 977

[Report No. 1401]

IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 1964

Mr. COOLEY introduced the following joint resolution; which was referred to the Committee on Agriculture

MAY 13, 1964

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

JOINT RESOLUTION

To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*
3 That there is hereby established a bipartisan National Com-
4 mission on Food Marketing (hereinafter referred to as the
5 "Commission").

6 SEC. 2. ORGANIZATION OF THE COMMISSION.—(a)
7 The Commission shall be composed of fifteen members, in-
8 cluding (1) five Members of the Senate, to be appointed
9 by the President of the Senate; (2) five Members of the
10 House of Representatives, to be appointed by the Speaker

1 of the House of Representatives; and (3) five members
2 to be appointed by the President from outside the Federal
3 Government.

4 (b) Any vacancy in the Commission shall not affect
5 its powers and shall be filled in the same manner as the
6 original position.

7 (c) Eight members of the Commission shall constitute
8 a quorum.

9 SEC. 3. COMPENSATION OF MEMBERS.—(a) Members
10 of Congress who are members of the Commission shall serve
11 without compensation in addition to that received for their
12 services as Members of Congress; but they shall be reim-
13 bursed for travel, subsistence, and other necessary expenses
14 incurred by them in the performance of the duties vested in
15 the Commission.

16 (b) Each member of the Commission who is appointed
17 by the President may receive compensation at the rate of
18 \$100 for each day such member is engaged upon work of
19 the Commission, and shall be reimbursed for travel expenses,
20 including per diem in lieu of subsistence as authorized by law
21 (5 U.S.C. 73b-2) for persons in the Government service
22 employed intermittently.

23 SEC. 4. DUTIES OF THE COMMISSION.—(a) The Com-
24 mission shall study and appraise the marketing structure of
25 the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

~~(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.~~

~~(e)~~ (b) The Commission shall make such interim reports as it deems advisable, and it shall make a final report *of its findings and conclusions* to the President and to the Congress by July 1, ~~1966~~ 1965.

1 SEC. 5. POWERS OF THE COMMISSION.— (a) The Com-
2 mission, or any ~~member~~ *three members* thereof as authorized
3 by the Commission, may conduct hearings anywhere in the
4 United States or otherwise secure data and expressions of
5 opinions *pertinent to the study*. In connection therewith the
6 Commission is authorized *by majority vote*—

7 (1) to require, by special or general orders, corpora-
8 tions, business firms, and individuals to submit in writ-
9 ing such reports and answers to questions as the Com-
10 mission may prescribe; such submission shall be made
11 within such reasonable period and under oath or other-
12 wise as the Commission may determine;

13 (2) to administer oaths;

14 (3) to require by subpoena the attendance and testi-
15 mony of witnesses and the production of all documentary
16 evidence relating to the execution of its duties;

17 (4) in the case of disobedience to a subpoena or or-
18 der issued under paragraph (a) of this section to invoke
19 the aid of any district court of the United States in re-
20 quiring compliance with such subpoena or order;

21 (5) in any proceeding or investigation to order
22 testimony to be taken by deposition before any person
23 who is designated by the Commission and has the power
24 to administer oaths, and in such instances to compel

1 testimony and the production of evidence in the same
2 manner as authorized under subparagraph (3) and (4)
3 above; and

4 (6) to pay witnesses the same fees and mileage as
5 are paid in like circumstances in the courts of the United
6 States.

7 (b) Any district court of the United States within the
8 jurisdiction of which an inquiry is carried on may, in case
9 of refusal to obey a subpoena or order of the Commission
10 issued under paragraph (a) of this section, issue an order
11 requiring compliance therewith; and any failure to obey
12 the order of the court may be punished by the court as a con-
13 tempt thereof.

14 (c) The Commission is authorized to ~~request~~ *require*
15 directly from the head of any Federal executive department
16 or independent agency available information deemed useful
17 in the discharge of its duties. All departments and inde-
18 pendent agencies of the Government are hereby authorized
19 *and directed* to cooperate with the Commission and to
20 furnish all information requested by the Commission to the
21 extent permitted by law.

22 (d) The Commission is authorized to enter into con-
23 tracts with Federal or State agencies, private firms, institu-

1 tions, and individuals for the conducting of research or sur-
2 veys, the preparation of reports, and other activities neces-
3 sary to the discharge of its duties.

4 (e) When the Commission finds that publication of any
5 information obtained by it is in the public interest and would
6 not give an unfair competitive advantage to any person, it is
7 authorized to publish such information in the form and
8 manner deemed best adapted for public use, except that
9 data and information which would separately disclose the
10 business transactions of any person, trade secrets, or names
11 of customers shall be held confidential and shall not be dis-
12 closed by the Commission or its staff: *Provided, however,*
13 That the Commission shall permit business firms or indi-
14 viduals reasonable access to documents furnished by them
15 for the purpose of obtaining or copying such documents as
16 need may arise.

17 (f) The Commission is authorized to delegate any of
18 its functions to individual members of the Commission or
19 to designated individuals on its staff and to make such rules
20 and regulations as it ~~deems~~ *are* necessary for the conduct of
21 its business, *except as herein otherwise provided.*

22 SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The
23 ~~Chairman of the~~ Commission is authorized, without regard
24 to the civil service laws and regulations or the Classification
25 Act of 1949, as amended, to appoint and fix the compensa-

tion of an executive director and *the executive director, with the approval of the Chairman, shall employ and fix the compensation of* such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided*, That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous

1 payments (5 U.S.C. 46c) shall apply to the collection of
2 erroneous payments made to or on behalf of a Commission
3 employee, and regulations of said Administrator for the ad-
4 ministrative control of funds (31 U.S.C. 665 (g)) shall ap-
5 ply to appropriations of the Commission: *Provided further,*
6 That the Commission shall not be required to prescribe such
7 regulations.

8 (e) Ninety days after submission of its final report, as
9 provided in section ~~4(e)~~ 4(b), the Commission shall cease to
10 exist.

11 SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There
12 is hereby authorized to be appropriated such sums not in ex-
13 cess of ~~\$2,500,000~~ \$1,500,000 as may be necessary to carry
14 out the provisions of this joint resolution. Any money appro-
15 priated pursuant hereto shall remain available to the Com-
16 mission until the date of its expiration, as fixed by section
17 6(e).

Union Calendar No. 593

88TH CONGRESS
2^D SESSION

H. J. RES. 977

[Report No. 1401]

JOINT RESOLUTION

To establish a National Commission on Food
Marketing to study the food industry from
the farm to the consumer.

By Mr. COOLEY

APRIL 6, 1964

Referred to the Committee on Agriculture

MAY 13, 1964

Reported with amendments, committed to the Com-
mittee of the Whole House on the State of the
Union, and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued May 19, 1964
For actions of May 18, 1964
88th-2nd, No. 99

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HIGHLIGHTS: Senate passed food marketing investigation bill. Sen. Hruska urged commission to investigate beef marketing. Sen. Lausche voiced opposition to pay bill. House passed bills: To extend military milk program; To increase watershed detention capacity. House committee reported independent offices appropriation bill. Rep. Purcell urged labeling of imported frozen beef.

SENATE

1. FOOD MARKETING. Passed with amendments S. J. Res. 71, to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer. pp. 10822-8

Sen. Hruska urged the Food Marketing Commission "to shed official light on this business" of processing and selling beef; and inserted a "Farm Journal" article which concludes that, while beef feeders are losing money, nobody is "making a financial killing" on such cattle. pp. 10862-3

2. FOREIGN TRADE. Sen. Hruska urged establishment of limits on amount of U. S. goods traded with the Communists. pp. 10864-6
3. PAY. Sen. Lausche voiced his opposition to the proposed Federal pay increase as not holding the line against price increases. pp. 10850-3
4. POVERTY. Sen. Douglas commended three businessmen for supporting a program of national action against poverty. pp. 10813-4
Received a Mass. House resolution urging adoption of the proposed poverty program. p. 10789
5. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill. pp. 10831-50, 10863-4, 10866-76
6. WEATHER. The "Daily Digest" states that the Irrigation and Reclamation Subcommittee of the Interior and Insular Affairs Committee announced that hearings on proposed plan for weather modification in the Colorado River Basin would be held on Thurs., May 21, instead of Tues., May 19. p. D386
7. ECONOMY. Sen. Long (La.) praised the President's fiscal policy as continuing the Nation's prosperity. pp. 10821-2
8. FLOOD CONTROL. Received a Calif. Legislature resolution urging the Corps of Engineers to join with Calif. in more active participation in the State pilot levee maintenance program, and accept newly developed standards that would utilize controlled levee vegetation to satisfy the multiple needs of recreation and flood control. p. 10799

HOUSE

9. WATERSHED. Passed without amendment H. R. 9938, to authorize an increase in the limitation of floodwater detention reservoirs on watershed projects from 5,000 acre-feet to 12,500 acre-feet. p. 10756
10. FARM CREDIT. Passed without amendment H. R. 10419, to amend the Farm Credit Act so as to provide that part of the patronage refunds paid by a bank for cooperatives shall be in money instead of class C stock after the bank becomes subject to Federal income tax. p. 10756
11. RESEARCH. Passed over without prejudice H. R. 1642, to authorize the Secretary of Agriculture to sell at its full appraised value to the city of Clifton, N. J., the land and buildings comprising the U. S. Animal Quarantine Station at Clifton, N. J., and to use the funds realized to relocate the quarantine station on another site to be selected in the New York-New Jersey area after coming to agreement with the House Committee on Agriculture and the Senate Agriculture and Forestry Committee as to the location of the new site. p. 10756
12. LANDS. Passed as reported H. R. 6601, to authorize the Secretary of Agriculture to convey two Forest Service lots in Grand Junction, Colorado, and to apply the proceeds of such sale to the purchase of other land in or near Grand Junction and the construction thereon of similar improvements after coming to agreement with the House Committee on Agriculture and the Senate Agriculture and Forestry Committee as to the location of the new site. pp. 10756-7
Passed over without prejudice H. R. 7588, to provide for enforcement of rules and regulations for the protection, development, and administration of the national forests and national grasslands by providing that those charged

(3) In order to give the impression of a massive evacuation of its military personnel, the Soviet Union has been "rotating" its troops and moving most of them from populous areas to secluded bases, many of which have underground facilities provided with special electrical and ventilation systems.

(4) The following are some of the bases, camps, and military installations where there are reportedly concentrations of Soviet-bloc soldiers and technicians. For the sake of brevity, I shall only refer to those located in the extreme provinces of Cuba; namely, Pinar del Rio and Oriente:

PINAR DEL RIO PROVINCE

San Julian airbase; "La Guatana" camp, near San Luis; "La Coloma" camp; underground installations in the area of Soroa; strategic installations in "Los Portales"—cave, located in "La Guira" farm, near San Diego de los Baños; the 12-mile long "Great Cavern of Santo Tomas," converted by the Russians into the military reserve warehouse of the western zone; strategic base, provided with underground silos for offensive missiles, in the area of "Suset" farm, between Artemisa and Cayajabos; Mariel naval base; general headquarters of the western zone located in la Gobernadora hills; Electronic Control Center in Blanquizar hills (also known as Anafe plateau) between Caimito del Guayabal and Guanajay, etc.

ORIENTE PROVINCE

Military camps in the area of Manati and Puerto Padre; Holgulin airbase, provided with underground hangars and protected by a chain of camps and installations; strategic military zone, provided with underground silos for offensive missiles and submarine installations, in the coastal area of Cabo Lucrecia, Punta de Mulas and Banes; strategic bases of Mayari, Pinales de Mayari and Mayari Arriba; military installations between Balmory sugar mill and the naval base of Guantanamo; strategic base of Las Mercedes; military installations in "Potosi" farm, north of Victoria de las Tunas, etc.

(5) The Soviet Union not only keeps in Cuba the bulk of its forces, but also continues to increase or enlarge its strategic bases. In this connection, it is of interest to refer specifically to the famous Bellamar Caves, located north of Matanzas Province. These caves connected through newly built tunnels with Matanzas Bay, have been reinforced and converted into a submarine base, with adjacent underground fuel and arm depots.

(6) Matanzas Bay is so deep, that the submarines do not have to surface in order to reach the pens, which are provided with a special system of gates controlling the flow of water. The pens are finished, but we do not have, as yet, any evidence of Soviet submarines operating from this base.

(7) The military constructions in the area of the Bellamar Caves began more than 2 years ago. At that time, Cuban officials closed some of the galleries of the caves, alleging that they were being enlarged for tourist purposes. Security measures were later enforced under the pretext that gold deposits had been found in the excavations. In the final stage of the military constructions, Soviet specialized personnel replaced the Cuban engineers and workers. At present, most of the Bellamar Caves, as well as the adjacent tunnels and submarine installations, are under Soviet control.

(8) In connection with the submarine installations it is of interest to refer to the May 1963 Interim Report on Cuba issued by the Senate Preparedness Subcommittee, which states that "advanced Soviet submarine bases could be established in Cuban ports with very little effort."

(9) The Bellamar complex is protected by a chain of military installations located in the mountains bordering on Yumuri Valley,

just by San Juan River; in Margot Mines, near the town of Cidra; in the quarries close to the town of Limonar; in the hills adjacent to Canimar River, and in Hicacos Peninsula. The electronic equipment covering this area are mainly concentrated in the mountains bordering on Yumuri Valley.

(10) I am submitting this report in the hope that it will merit a careful investigation. My sole interest is to collaborate with the authorities of this great country, committed by the congressional joint resolution of October 3, 1962, "to prevent in Cuba the creation or use of any externally supported military capability endangering the security of the United States," and "to work with the Organization of American States and with freedom-loving Cubans to support the aspirations of the Cuban people for self-determination."

NESTOR CARBONELL, Jr.

MAY 1, 1964.

INACTIVE DEFENSE FACILITIES IN NEW YORK

Mr. KEATING. Mr. President, the Defense Department is now maintaining in the State of New York, or expects to continue to hold, 108,847 acres of land which is currently inactive or at this time is scheduled for inactive status; 108,052 acres are currently inactive, but the Defense Department has no plans for disposal of the land; 795 acres will be inactivated within the next few years; but the Defense Department indicates that it has no present plans for disposal of them and intends to keep them for possible Defense Department use.

In other words, Mr. President, a total of 108,847 acres of land in New York will shortly be held by the Defense Department, serving no Defense Department need that has yet been indicated, paying no taxes, and contributing no community services of any kind.

Mr. President, this is a substantial amount of land. In terms of the jobs that might be created on that land if defense facilities were operating there, it is a great deal. In terms of taxes that might be paid if privately held, it is a lot, also. I am urging the Defense Department to consider the possibilities for this property as soon as possible, so that New York can have either the jobs or the taxes that this land might offer. New Federal facilities on this land would be one way of saving the Government money and putting these unused properties to work again. I am also studying other methods of coping directly with the hardships caused by this retention of idle, untaxed land.

Mr. President, I ask unanimous consent to include in the RECORD, following my remarks, the text of the communication on this subject from the Defense Department.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

OFFICE OF THE ASSISTANT
SECRETARY OF DEFENSE,
INSTALLATIONS AND LOGISTICS,
Washington, D.C., May 14, 1964.

Hon. KENNETH B. KEATING,
U.S. Senate,
Washington, D.C.

DEAR SENATOR KEATING: This is in reply to your letter of May 4, 1964, concerning the amount of land held by the Department of

Defense in the State of New York in an inactive status and for which no disposal plans have been made. In addition, you expressed interest in properties which have been scheduled for inactivation within the next 3 years but which are to be retained for other possible use.

The properties held by the Department of Defense in New York which are inactive but which are not at present the subject of disposal action are:

	Acres
Camp Drum, Watertown.....	107, 675
Camp Hero, Montauk Point.....	362
Auburn Ordnance Shell Plant, Auburn (leased).....	15
Total.....	108, 052

Defense properties in New York which were announced for closure but which are to be retained by the Department of Defense for other possible use are:

	Acres
Fort Stocum, New Rochelle.....	123
Fort Tilden, N.Y.....	312
Fort Totten, N.Y.....	147
Miller Field, Staten Island.....	213
Total.....	795

In connection with the Seneca Army Depot, this installation consisting of 10,688 acres of land is considered to be in an active status and, accordingly, is not included in the above list of inactive properties.

We trust this information will prove helpful. We shall be happy to furnish additional information on these properties if you so desire. Your interest in this matter and your continued support of our national defense efforts are greatly appreciated.

Sincerely yours,

EDWARD J. SHERIDAN,
Deputy Assistant Secretary of Defense
(Properties and Installations).

THE STATE OF THE ECONOMY

Mr. LONG of Louisiana. Mr. President, when Congress passed the Revenue Act of 1964, the largest revenue bill ever to be passed by Congress, it provided for the largest tax reduction we shall probably see in our lifetimes; perhaps the largest to be made in many generations.

When the Revenue Act of 1964 was passed, many of us had high hopes that the fiscal policy then adopted would do much to continue the prosperity the Nation was enjoying; that it would avoid a recession that, in some respects, might have been regarded as overdue; that it would increase American production and American income; and that it would also help to solve our fiscal and monetary problems, including the problem of the outflow of gold from American reserves.

Since that time, the economic indicators and information coming to us from financial sources have demonstrated that the Nation is enjoying the type of increased employment and production that had been hoped for; that the trend is extremely favorable; and that we are experiencing the type of prosperity we had hoped would result from the revenue legislation.

All this speaks well for the fiscal policy of President Johnson and of the late President Kennedy, who initiated this proposal.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD an article entitled "Trends Reverse Forecasts," written by Eliot Jane-

way, and published in the Evening Star of today, May 18, 1964; and an article entitled "Steel Output Best in Year."

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington (D.C.) Star,
May 18, 1964]

AS JANEWAY VIEWS IT: TRENDS REVERSE
FORECASTS

(By Elliot Janeway)

NEW YORK.—Last autumn, the dollar was in trouble. Here and abroad, bankers were warning of a run on the dollar, and Washington was getting ready for a money squeeze.

There's no fear as infectious as fear for the value of money. Our bond market, which reflects confidence in money, was sick; and our stock market, which reflects confidence in the use to which money is put, was jittery.

By contrast, every currency on the continent of Europe looked strong, and the entire economy between the Iron Curtain and the English Channel looked rich. Because everything in Europe looked so rosy, while the outlook here was growing murky, money wanted to leave here and go there. This was making a bad situation worse. Specifically, it was making a weak dollar weaker still.

Veterans of market storms know that many big changes come as surprises—especially as political surprises which break the continuity of familiar economic ups and downs. Johnson's Presidency has brought us a major surprise of this kind. The change it has brought has certainly broken all continuity with 1963 market forecasts and performances.

SEEKING HAVEN HERE

For 1964 is seeing not the threatened run on the dollar but, instead, a flight to the dollar. Hard cash is pouring out of Europe and seeking a haven here. The financial history of 1964 is taking form as a reversal of the forecasts of 1963.

The way this big change is working out is as surprising as the change itself. When the dollar was weak, the word was that the beneficiary of money trouble here would be gold. And so it would have been, if only because the United States bulks so large in the world's consumption of hard goods. A money squeeze here would have curtailed our consumption and put the rest of the world on short rations. Commodities would have been worth less and, therefore, gold would have been worth more.

HAVING MONEY WOES

But Europe fits differently into the world economy. Now that she's having money trouble, while the dollar is strong again, gold is dead and gone as the market beneficiary of financial strain and retrenchment. Instead, its basic commodities, like copper and hides, that are going to a premium as the sicker currencies go to a discount.

The theory on which Europe is shipping money out and taking commodities in is simple and sensible. First of all, it respects the trendmaking role of the United States in world markets. The momentum of the business improvement here is feeding on the liquidity coming in from abroad. When business here is good, and the United States is an active buyer abroad, consumers in smaller economies must be prepared to bid up and to pay higher for their needs.

Fear of inflation is Europe's other motive for dumping paper money and accumulating hard goods. But no one there expects money trouble to undo the Americanization of consumption and of living standards. All that will happen is that commodity prices will rise as currencies depreciate.

Meanwhile, because we're doing so well should make us not smug but wary. Any time the flow of money here slackens or the strength of commodity prices falter, it will be a warning that we're stumbling again.

STEEL OUTPUT BEST IN YEAR

CLEVELAND.—Some of the slack in steel orders from automobile manufacturers is being taken up by rising demand from the construction industry, Steel magazine reports.

The metalworking weekly said steelmakers now expect June shipments to drop no more than 5 percent, compared with their forecast of a 10-percent dip a few weeks ago. Reasons for the revision, it added, include:

Automobile manufacturers have reduced steel buying less than anticipated.

Appliance makers and other producers of consumer durables are continuing to buy light, flatrolled steel products at a good rate.

Structural fabricators, railroad carbuilders, machinery manufacturers and shipbuilders are placing big orders for shapes and plates.

The magazine said steelmaking operations are at the highest level in 11 months, with this week's output expected to exceed the 2,492,000 tons produced last week.

"This month's production will be about 11 million tons, highest since May 1963," Steel said.

"Next month's output may drop to 10.2 million tons, but it will boost the first half's total to 61.2 million tons—2 million more tons than in the first half of 1963."

Steel said market analysts predict a 10-percent drop in steel production and shipments for July, but expect the month's performance to be better than that during July of last year.

"The downturn in July will reflect sharply reduced automotive steel buying, model changeovers in the appliance industry and vacation shutdowns by other big steel-consuming industries," the publication said.

NATIONAL COMMISSION ON FOOD
MARKETING

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 967, Senate Joint Resolution 71.

The ACTING PRESIDENT pro tempore. The joint resolution will be stated by title, for the information of the Senate.

The LEGISLATIVE CLERK. A joint resolution (S.J. Res. 71) to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution, which had been reported from the Committee on Commerce with an amendment on page 2, after line 4, to insert:

(b) The President shall designate a Chairman from among the members of the Commission.

At the beginning of line 7, to strike out "(b)" and insert "(c)"; at the beginning of line 10, to strike out "(c)" and insert "(d)"; in line 23, after the word "of", to strike out "subsistence" and insert "subsistence"; on page 3, line 14, after the word "farming", to insert "and other food production"; on page 4, line 6, after the word "of", to strike out

"opinions." and insert "opinions pertinent to the study."; in line 8, after the word "is", to strike out "authorized—" and insert "authorized by majority vote—"; on page 5, line 15, after the word "to", to strike out "request" and insert "require"; in line 17, after the word "agency", to strike out "available"; in line 19, after the word "authorized", to insert "and directed"; on page 6, line 20, after the word "as", to strike out "it deems" and insert "are"; in line 21, to strike out "its business" and insert "business, except as otherwise provided"; after line 21, to strike out:

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

And, in lieu thereof, to insert:

SEC. 6 ADMINISTRATIVE ARRANGEMENTS.—(a) Without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, the Chairman of the Commission is authorized to appoint and fix the compensation of an executive director, and the executive director, with the approval of the Chairman, is authorized to appoint and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

On page 8, line 10, after the word "payments", to strike out "(5 U.S.C. 46c)" and insert "(5 U.S.C. 46e)"; in line 14, after the word "the", to strike out "Commission:" and insert "Commission."; and, after the amendment just above stated, to strike out "Provided further, That the Commission shall not be required to prescribe such regulations."; so as to make the joint resolution read:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) The President shall designate a Chairman from among the members of the Commission.

(c) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(d) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence,

and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and other food production and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue

an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of business, except as otherwise provided.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) Without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, the Chairman of the Commission is authorized to appoint and fix the compensation of an executive director, and the executive director with the approval of the Chairman, is authorized to appoint and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46e) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission.

(e) Ninety days after submission of its

final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

Mr. McGEE. Mr. President, the pending measure, Senate Joint Resolution 71, contains the proposal of the President to create a bipartisan National Commission on Food Marketing, to be made up of 15 members.

The good that will come from this resolution, the benefits to the Nation, will accrue from the actions of the National Commission on Food Marketing that will be established because of this resolution.

To understand the necessity for such a commission and such an investigation, it is necessary to assess the developments that have occurred in food marketing since the end of World War II. This is not a story of gradual change and improvement, but rather a new phenomena of complete change that is a very significant development in the lives of most Americans.

The food marketing industry is today one of our giant industries, involving expenditures of \$70 billion annually at retail and employing about 11 million wage earners. In the days before the war the bulk of grocery sales were made by the small, neighborhood grocery store. Such a store might have averaged 800 square feet of floor space and stocked about 870 different items. Today, the air-conditioned supermarket, with background music and a mammoth parking lot, contains 20,000 square feet of floor space and stocks 6,000 items.

A very significant fact is that in the development of the supermarket more than 140,000 of the small, neighborhood grocery stores have gone out of business.

With the advent of these new giants on the retail level comes an equal accumulation of size and power at the other end of the commercial scene, the purchase from the producer or his agents. In the hearings conducted by the Commerce Committee we heard many instances of chainstore buyers contracting for the entire amount of a farmer's crop or that of a marketing association or cooperative. In these cases the purchasers have often demanded and received considerations that the suppliers thought unfair but were unable to refuse for fear of losing the sale of their entire year's effort. In fact, we heard several reports of producers who were afraid to testify before the committee for fear of reprisals by the food chain purchasers.

Mr. President, no one would deny that the new merchandising phenomena that is the chainstore has brought many benefits to the Nation and to the consumer. Certainly the results of mass purchasing and high volume can bring impressive savings to the consumer. And this can be demonstrated by the fact that our Nation leads the world in food costs as a percentage of income. Today's American wage earner spends but 18.5 percent

of his take-home pay to feed his family, the lowest percentage in the world. But at the same time that food costs have fallen in comparison to the cost of living, the percentage of the food dollar that winds up in the hands of the farmer has steadily decreased also. Today the farmer is in the worst price squeeze he has been in for 30 years.

Since 1947 farm prices for food have dropped 12 percent but retail food costs have increased by 29 percent. Since that year the farmers have increased their production by 40 percent. At the same time the annual consumer food cost has increased by \$26.2 billion. I would point out, Mr. President, that of that \$26.2 billion, 88.5 percent or \$23.2 billion went to processors and marketing agencies and only \$3 billion to the farmer.

I realize that part of this cost may be attributed to the increasing amount of preparation that the consumer now demands in his food products, TV dinners, precooked foods, precut chicken and the like. And the labor costs of the processors and stores have also risen, but the productivity of the average worker—aided by modern machinery and new techniques—often has risen too, to offset the wage increases. The National Commission will find no shortage of unknown factors when they begin their investigation.

But to mention one field where there is a real urgency for an accounting I would point out that the American cattleman has lost more than \$2 billion since his prices started to fall about 2 years ago. I believe that he is entitled to know why his prices have dropped to the point where he can no longer make a living while at the same time the price the housewife is paying for her beef has not dropped at all. And beef is not the only area where there seems to be little relationship between the price paid the producer and that paid by the consumer.

In the history of our Nation there are many instances where power has been consolidated and used to the detriment of the public interest. And in many of these cases these practices were well entrenched before any action was taken to correct them and, as a consequence, much harm was done and many inequities suffered by the consuming public because no one knew or could prevent these abuses of our free enterprise system.

I believe that President Johnson's call for an investigation now is a prime example of a lesson learned from the past. We shall now be able to provide the public with the assurance that the Government is fulfilling its duty to protect their interest and we are doing it with speed and efficiency.

We do not know at this time what is the relationship between the phenomena of the food chainstore and the increasing cost squeeze on the farm front. But I believe we deserve to know if a relationship exists, and, if it does, what can be done to make sure this new force on our commercial front works for the public interest within the realm of our traditional free enterprise operations.

By this action today we shall add to our knowledge an important body of facts concerning operations that affect all

Americans. Armed with this knowledge, we may be able to make such adjustments as are necessary to retain the balance that is necessary if all who would compete in the marketplace are to have a fair chance to succeed on the strength of their ability and initiative.

We have not suggested that a way be found to guarantee everyone the right to an income, but rather that he have the right to compete on terms of equality and without restraints with his fellows for that income. When that is the case, the American system shall be immeasurably strengthened, and we all—consumer, producer, and the middleman—will be the stronger for it.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. MORTON. Mr. President, I attended many of the hearings, which were presided over by the Senator from Wyoming. We heard from the agricultural community and also from the National Association of Chain Stores, which includes most of the big supermarket operations. They are agreeable to the resolution. They sympathize with the plight of the farmer and realize that his return has been diminishing for several years. The fact is, of course, that much of the drudgery of the kitchen has been transferred to the producer and manufacturer of food products.

The big chains operate on a very low margin—something like 1 percent—and they, along with the agricultural industry, welcome a bipartisan approach such as this. I trust that Congress will pass the joint resolution.

Mr. McGEE. I thank the Senator from Kentucky for his help and leadership in connection with this measure.

One of the very striking elements in the hearings was the way in which all segments connected with the problem came to our support in trying to solve it. I refer to the Farmers Union, the American Farm Bureau Federation, the National Grange, the National Federation of Independent Businesses, the American Stockyards Association, the American National Cattlemen's Association, the Wool Growers, the Cattle Feeders, the National Association of Food Chains, the National Association of Retail Grocers, labor unions—nearly everyone who is in any way connected with the problem.

As the Senator from Kentucky has mentioned, this is testimony to the fact that all would like to learn the facts and to dispel any false assumptions which may have been drawn.

The distinguished Senator from Nebraska [Mr. HRUSKA] has spoken to me on the floor about a modification of one of the clauses in Senate Joint Resolution 71. He has made a very helpful suggestion. I am willing to accept it.

Mr. HRUSKA. Mr. President, the discussion which I had with the distinguished chairman of the subcommittee referred to subsection (4) of section 4, on page 3 of the joint resolution, in which reference is made to the changes in public policy which would be considered appropriate to achieve a desired distribution of power, as well as desired levels of efficiency.

The question that arose in my mind

was whether the "distribution of power" referred to the several segments of the food industry or to the power possessed by the Federal agencies which have jurisdiction over those segments.

The suggestion was made—and I understand the chairman is agreeable to the suggestion—that there be inserted on line 17, after the word "power" the words "among Federal agencies".

That would definitely mean that the "distribution of power" referred to the power of the Federal agencies which have jurisdiction over segments of the food industry.

Mr. McGEE. Yes.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. DOMINICK. I welcome the Commission which is provided for in the joint resolution.

I wonder whether it is the Senator's impression that the Commission would give any assistance in solving the problems of the livestock industry. It is my understanding that it will take a considerable length of time for a report to be issued. Is that not correct?

Mr. McGEE. The interim reports will be made in order; and the first item of business on the agenda is the red-meat problem. We hope this will be a matter of high priority with the Commission.

Whether the Commission's efforts can have quick enough impact is another question. In my opinion, this investigation should be undertaken, regardless of how soon its impact may be felt, because of the depth and importance of the problems. It is our hope that the study will move rapidly.

Mr. DOMINICK. At what time does the Senator expect the first report to be received?

Mr. McGEE. At this time, I have no way of answering the Senator's question, for the reason that the measure still has not been sent to the White House and the Commission has not yet been established. I think the answer will depend somewhat on that action. Once the Commission is created, I should imagine that in the course of a number of weeks, rather than interminable months, it would be possible to receive an interim report on the meat problem.

Mr. DOMINICK. I am sure the Senator is aware that feeders are now offering about 17 or 18 cents for producers' calves that are now reaching the market, and have been threatening to lower that price to 14 or 15 cents, which would extend the problem that now faces feeders, banks, and some of the other industries that are trying to keep the feeders going. They are seeking to extend aid to the producers before this fall.

This is a perfectly good mission, which should be of value over a period of time. My concern is whether it will have an impact on the thinking of Senators in such a way as to cause them to believe the problem will be solved by virtue of the passage of the joint resolution, because I am sure Senators will agree that is not so.

Mr. McGEE. Indeed, not. Actually, we want to get to the bottom of the problem, by asking questions and finding

the right answers, rather than to leave anyone with the suggestion that the particular price problems at the moment have been resolved. We know the cattleman is affected now by forces preying upon depressed cattle prices, which involve imports, overproduction, and a carrying of extra heavy steers for a long time on local feed lots. These are forces that will not be reversed by magic. The joint resolution makes no pretention of doing so. Thus, we are interested in answers, and we do not expect a solution overnight.

Mr. HRUSKA. Mr. President, the point raised by the Senator from Colorado is especially pertinent. Not only are we confronted with the forces of the imports of beef and overproduction of beef domestically, but we also have as one of the proposals in the so-called Appalachia war on poverty the improvement of pasture land for cattle raising. The goal is to increase in a short number of years the gross income of farmers within that area, to the extent of some \$230 million from beef and cattle marketings. The program would be financed by Federal grants and subsidies, in the main. So we get into that phase of the problem from the standpoint of increasing the present overproduction of beef, which, according to the Department of Agriculture, is the chief cause of the drop in the market prices of cattle.

I hope that in due time that proposal will be checked into by the Commission, and that its report will bear out the idea that its investigation is not something that will cure the problems of the cattle producers, late in the summer—in August and September, when the producers will begin the marketing of their present stock cattle.

Mr. McGEE. The Senator from Wyoming fully understands the problem, and thanks both the Senator from Nebraska and the Senator from Colorado for their contributions to the discussion.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement by the chairman of the Committee on Commerce [Mr. MAGNUSON], who would have made the statement himself, had he been present. I also ask unanimous consent that letters which he intended to place in the RECORD be printed therein.

There being no objection, the statement and the letters were ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MAGNUSON

The action which the Senate takes today in passing Senate Joint Resolution 71, to establish a Presidential Commission to investigate food marketing, may have as great and as beneficial an impact on the American economy of the future as any other act of the 88th Congress.

Make no mistake about it, the American farmer is besieged by high costs and low farm prices. The Senate Commerce Committee heard compelling testimony from cattlemen relating to the recent disastrous drop in livestock prices, but cattlemen are not the only victims of the upheavals in our food marketing system.

I have heard from livestock producers in the State of Washington and from poultrymen, dairymen, berry growers, wool growers, wheat growers, pear, apricot, cherry, peach, and prune growers.

Without exception they have urged the enactment and speedy implementation of the Food Marketing Commission as proposed in Senate Joint Resolution 71.

The Governor of Washington, Governor Rosellini, and his director of agriculture, Joe Dwyer, have taken the lead in pleading the cause of the Washington farmer and grower. "For many years," writes Governor Rosellini, "I have shared the increasing concern of farm leaders and spokesmen over the revolutionary changes in the food marketing structure and their effect upon the individual farm operator."

And Director Dwyer emphasizes the particular sensitivity of Washington agriculture to the revolutionary changes in the structure of food marketing:

"Because of its geographic location and the character of its agriculture, the State of Washington is particularly sensitive to these changes. Ours is a developing agriculture, without the full stability of agriculture in many of the older areas of the Nation. Ours is also a diversified agriculture, producing many products that are in direct competition with the products of other areas and nations. And because of our location, many of our most important products must find their markets in distant areas and must move to those markets through the full channel of the marketing process. They are thus subject to the full impact of concentrated buying power, integration, freight rate differentials and the increasing spread between producer and consumer prices."

It is clear that nothing less than the very survival of the family farmer and grower is at stake. It is therefore of the most critical importance that a vigorous and fearless commission be established at once and that it seek out the answers and solutions to the farmers' distress.

STATE OF WASHINGTON,
Olympia, April 20, 1964.

HON. WARREN G. MAGNUSON,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR WARREN: President Johnson said in his message on agriculture to the Congress on January 31 that a bipartisan study of market power in the distribution of food "is a pressing need if American agriculture is to be strengthened."

For many years I have shared the increasing concern of farm leaders and spokesmen over the revolutionary changes in the food marketing structure and their effect upon the individual farm operator.

I strongly support the proposal embodied in Senate Joint Resolution 71 to create a Presidential commission to study and appraise these changes.

Only by fully exploring both the character and extent of these developments and their effects will we be able to properly discharge our responsibility to farmers and consumers.

Sincerely,

ALBERT D. ROSELLINI,
Governor.

STATE OF WASHINGTON,
DEPARTMENT OF AGRICULTURE,
Olympia, April 20, 1964.

HON. WARREN G. MAGNUSON,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: No single element has had a more profound effect upon agriculture in the State of Washington than

the tremendous changes that have occurred in recent years in the marketing of food products.

Because of its geographic location and the character of its agriculture, the State of Washington is particularly sensitive to these changes. Ours is a developing agriculture, without the full stability of agriculture in many of the older areas of the Nation. Ours is also a diversified agriculture, producing many products that are in direct competition with the products of other areas and nations. And because of our location, many of our most important products must find their markets in distant areas and must move to those markets through the full channel of the marketing process. They are thus subject to the full impact of concentrated buying power, integration, freight rate differentials, and the increasing spread between producer and consumer prices.

I strongly believe that a comprehensive study of the changes in the food marketing structure and the effect of those changes upon the farmer and the consumer is imperative.

I endorse Senate Joint Resolution 71 which will create a bipartisan Presidential commission to conduct this study and provide us with a basis for sound and constructive decisions for the protection of agriculture, business, and the consumer.

Sincerely yours,

JOE DWYER,
Director.

APRIL 20, 1964.

SIGMUND H. RESTAD,
Director, Division of Agriculture,
Palmer, Alaska:

I strongly support Senate Joint Resolution 71 establishing bipartisan Presidential Commission to study food marketing structure, integration, contract farming. If you concur please wire or write Senator WARREN MAGNUSON, chairman, Commerce Committee, indicating importance to agriculture your State.

JOE DWYER,
Director, Department of Agriculture.
(Same telegram sent to Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Wyoming.)

SPOKANE, WASH., April 22, 1964.
Senator WARREN MAGNUSON,
Washington D.C.:

Washington Wheat Commission urges your strong support Senate Joint Resolution 71 establishing Commission, study food marketing structure, particularly farmer's share food dollar and wide variance between that and consumer's price.

WAYNE GENTRY,
Administrator.

SEATTLE, WASH., April 22, 1964.
Senator WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Washington, D.C.:

DEAR SENATOR: The Washington State Fryer Commission which represents over 300 fryer growers and processors, support you in your endorsement of Senate Joint Resolution 71, and urge its immediate passage. Happiness.

WASHINGTON FRYER COMMISSION,
CHARLES L. SHAFER, Chairman.

WASHINGTON STATE FRUIT COMMISSION,
Yakima, Wash., April 20, 1964.
HON. WARREN G. MAGNUSON,
Chairman, Commerce Committee,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: Information has reached us that you are soon to enter a bill in the Senate known as Senate Joint Resolution 71 for the purpose of establishing a

committee and procedure to, among other things, study, and analyze the effects of the great concentration in retailing upon farm prices and farm product marketing.

Please be assured that, as manager of the Washington State Fruit Commission, I am very much aware of the need of this study on the part of Government, and I wholeheartedly endorse your resolution.

Sincerely yours,

FRED H. WESTBERG,
Secretary-Manager.

WASHINGTON DAIRY PRODUCTS COMMISSION,
Seattle, Wash., April 23, 1964.

HON. WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: On April 22, in regular session, the members of this organization gave full and careful consideration to the provisions of Senate Joint Resolution 71.

They were in unanimous agreement that the establishment of a National Commission on Food Marketing to study the food industry from farm to the consumer would be to the best interests of all farmers, including dairy farmers, as well as the consuming public.

Consequently, they voted to support the Joint Resolution and to ask you for your views in the matter.

Yours truly yours,

FRED OLSEN,

Secretary.

WAYNE MUNKRES,

Chairman.

EVERSON, WASH.

CURTIS L. BLACK,

Vice Chairman.

CHEHALIS, WASH.

LOWELL V. ANDERSON.

ELLENSBURG, WASH.

HOWARD A. ESVELT.

DAISY, WASH.

LEVI L. CAYS.

SEQUIM, WASH.

HARRY A. LINDSEY.

NACHES, WASH.

SCOTT WALLACE.

CARNATION, WASH.

WASHINGTON STATE DAIRYMEN'S

FEDERATION,

Puyallup, Wash., April 20, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: It is our understanding that the resolution requested by President Johnson for establishment of a bi-partisan commission to study changes in agricultural marketing is in your committee. We would appreciate receiving the details of the resolution. The information we have indicates the resolution is broad in directing a study of integrated farming, chain store buying, marketing margins and other related questions. Many of us in agriculture need to know what the changes are, what they mean and how far these trends will go. With this information we can make more realistic decisions on our own adjustments.

The Washington State Dairymen's Federation supports the formation of the Commission.

Sincerely,

W. O. HARTILL,

President.

BOB COOK,

Manager.

WASHINGTON-OREGON BERRY

GROWERS ASSOCIATION,

Puyallup, Wash., April 20, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: It is our understanding that the resolution requested by

President Johnson for establishment of a bipartisan commission to study changes in agricultural marketing is in your committee. We would appreciate receiving the details of the resolution. The information we have indicates the resolution is broad in directing a study of integrated farming, chain store buying, marketing margins and other related questions. Many of us in agriculture need to know what the changes are, what they mean and how far these trends will go. With this information we can make more realistic decisions on our own adjustments.

The Washington-Oregon Berry Growers Association supports the formation of the Commission.

Sincerely,

BOB COOK,

Manager.

YAKIMA, WASH.,

April 22, 1964.

SENATOR WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: I am writing in reference to Senate Joint Resolution 71 and urging speedy completion of hearings and passage by the Senate and House of this resolution.

I represent and speak for four Federal marketing orders, the Washington Apricot Marketing Committee, the Washington Cherry Marketing Committee, the Washington Peach Marketing Committee, and the Washington-Oregon Prune Marketing Committee.

The soft fruitgrowers in the State of Washington are interested in this resolution because they are faced with rising costs of production and yet soft fruit is returning the growers less money than it did 10 years ago. We realize fruit is not as influential on a national scale as beef, however, it is very vital to the fruitgrowers of the State of Washington, which are many hundreds in number, and who are affected by this price squeeze in the same manner as the cattle feeders. These grower marketing order committees feel that the consumer is getting a bargain in fruit prices compared to the other items purchased.

We are not necessarily pointing a finger at chainstores specifically for excess profits, such as some other commodity organizations have, but it is the general feeling among fruitgrowers that chainstores often contribute to forcing the fruit prices lower than they should have been if the law of supply and demand had not been tampered with. These large and powerful chainstore complexes have enough buying power to partially influence the supply and demand on specialty crops which are not marketed on a national scale.

We urge speedy passage of Senate Joint Resolution 71 and subsequently a complete investigation to determine if chainstores actually are influencing the law of supply and demand. We would like to see the consumer get a bargain on food, but not at the expense of putting the producer out of business due to unfair pricing practices.

I would be happy to discuss this program with you further if you wish.

Thank you in advance for your cooperation.

Sincerely yours,

STONE FRUIT MARKETING

COMMITTEES,

DEE SMITH,

Manager.

WASHINGTON STATE COUNCIL,

OF FARMER COOPERATIVES,

Seattle, Wash., May 1, 1964.

SENATOR WARREN G. MAGNUSON,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: The Washington State Council of Farmer Cooperatives which

represents 145 farmer cooperatives in this State supports Senate Joint Resolution 71, a bill to establish a National Commission on Food Marketing. A study of market power in the present food marketing system will be most helpful, not only to farmers, but also to consumers as they would gain more information regarding the farmer's position in the total economy of the country.

A strong agricultural economy is most important to the Nation. The Commission as proposed in Senate Joint Resolution 71, and the outline of assignments merit the support of the Senate Commerce Committee and all Members of Congress.

Very truly yours,

H. M. OLSEN,
Executive Secretary.

WESTERN FARMERS ASSOCIATION,

Seattle, Wash., May 1, 1964.

Re Senate Joint Resolution 71, National Commission on Food Marketing.

HON. WARREN G. MAGNUSON,
U. S. Senate,
Washington, D.C.

DEAR WARREN: Our association is very much interested (affirmatively) in this proposed legislation. We are not only interested in the price spread between what the farmer receives and the consumer pays, but are particularly concerned over the disadvantage at which the farmer frequently finds himself through lack of bargaining power with the large mass buyer.

I note, WARREN, that Kenneth D. Naden (a longtime friend and acquaintance), executive vice president of the National Council of Farmer Cooperatives, presented testimony before your committee under date of April 22. Mr. Naden is well informed on this subject, represents the major farm cooperatives of our country, and I know can be most helpful to you and your committee should you see fit to call upon him.

Incidentally, Scoop advises me that we have a luncheon date on Tuesday, June 2, when I expect to be in Washington, D.C.

With my kindest personal regards.

Sincerely yours,

HARRY J. BEERNINK,
General Manager.

NORTHWEST WASHINGTON FARM

CROPS ASSOCIATION,

Mount Vernon, Wash., April 20, 1964.

SENATOR WARREN G. MAGNUSON,
Chairman, Commerce Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: The Northwest Washington Farm Crops Association, consisting of 366 active member growers of fruit and vegetable crops in the three-county area of northwest Washington, namely Skagit, Snohomish, and Whatcom Counties, hereby request your support of Senate Joint Resolution 71.

In view of the economic position of the industry we feel a study and appraisal of the situation is timely and necessary.

Yours very truly,

RAY A. SCHINK,
Manager.

CIRCLE LAZY H RANCH,

Ellensburg, Wash., April 20, 1964.

SENATOR WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: Regarding Senate Joint Resolution 71 which would create a commission supposed to come out of your Commerce Committee this week.

As I understand this, it will create a committee to study our declining cattle market. Personally, I am all for it. After all, the cry is that imports are the fault. Who are the importers? As near as I can figure, our big packers are the producer as well as the importers playing monopoly and if left unchecked, will create a serious impact on our economy. It has already caused many feed-

ers to go broke and if left unchecked, will break many small packer-feeders as well.

The chainstores are perhaps one of the farmers worst enemies as they not only set the price on beef and other farm commodities but they get by with it. I can't go along with the cry that there is a surplus of beef. Nobody knows of its spoiling in the coolers yet.

Thanks to you, Senator, for your interest in this matter.

Sincerely,

LAURENCE MELLERGAARD.

P.S.—We are still hoping to build the steamplant, so anything that you can do to build the tieline will be greatly appreciated as it will help our endeavor.

YAKIMA, WASH.,
April 20, 1964.

Senator WARREN G. MAGNUSON,
Chairman, Commerce Committee,
U.S. Senate, Washington, D.C.:

We support Joint Resolution 71, which will create bipartisan commission to study, appraise, and evaluate the dynamic changes which have taken place in the food industry. Points of study: production, marketing, transportation, and labor costs.

CLAY WHYBARK,
Secretary-Manager, Washington-Oregon Canning Pear Association.

ELLENSBURG, WASH.,
April 20, 1964.

Senator WARREN G. MAGNUSON,
Chairman, Commerce Committee,
U.S. Senate,
Washington, D.C.:

We support Senate Joint Resolution 71 and appreciate your action on our behalf.

PHIL KERN,
Secretary, Washington Wool Growers Association.

BOTHELL, WASH.,
April 15, 1964.

Senator WARREN MAGNUSON,
U.S. Senate,
Washington, D.C.

DEAR SIR: I am a 45-year-old housewife who has voted for you twice in the last decade. I, and several other housewives, wish to persuade you to do whatever you can to stop the food prices from rising. We know that the producers get no higher prices for their products, and that we housewives keep having to pay more and more for food in the stores. So who is profiting from this?

We wish you to help find out the reason for the steady rise in prices, and to prevent this robbery from continuing.

Thank you.

Yours truly,

Mrs. RAY DURBIN.

RESOLUTION FAVORING SENATE JOINT RESOLUTION 71

Whereas Senate Joint Resolution 71 would authorize an investigation by the Federal Trade Commission of the purchasing, processing, marketing and pricing practices of the food chainstores; and

Whereas at the present time 10 national food chains control over one-half of the beef that is marketed at the retail level in the United States; and

Whereas farmers and ranchers are subjected to prices which are deliberately set and manipulated by these giant food chains, which has resulted in the closing of competitive livestock markets and bankruptcy of independent producers and distributors; and

Whereas in our opinion this investigation is of the utmost importance and long overdue: Now, therefore, be it

Resolved, That Thurston County Pomona Grange No. 8 urge the passage of Senate Joint Resolution 71 at this session of Con-

gress, and that copies of this resolution be sent to Senators MAGNUSON and JACKSON, also Senator MCGEE, of Wyoming, and to the Washington State Grange.

JAMES NELSON,
Master.
JEAN PETERSON,
Secretary.

OLYMPIA, WASH.

The ACTING PRESIDENT pro tempore. Without objection, the committee amendments will be considered and agreed to en bloc.

Mr. HRUSKA. Mr. President, I offer amendments to the committee amendment, and ask that they be read.

The ACTING PRESIDENT pro tempore. The amendments of the Senator from Nebraska to the committee amendment will be stated.

The legislative clerk read as follows:

On page 3, line 17, after the word "power", it is proposed to insert "among Federal agencies".

On page 3, line 18, after the word "as", to insert "their".

The ACTING PRESIDENT pro tempore. Without objection, the amendments to the committee amendments are agreed to.

The joint resolution, as amended, is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment and third reading of the joint resolution.

The joint resolution (S.J. Res. 71) was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) The President shall designate a Chairman from among the members of the Commission.

(c) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(d) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and other food production and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power among Federal agencies as well as their desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraph (3) and (4) above; and

(6) to pay the witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agen-

cies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of business, except as otherwise provided.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—

(a) Without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, the Chairman of the Commission is authorized to appoint and fix the compensation of an executive director, and the executive director, with the approval of the Chairman, is authorized to appoint and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46e) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission.

(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

The title was amended, so as to read: "A joint resolution to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer."

Mr. McGEE. Mr. President, I move that the Senate reconsider the vote by which the joint resolution was passed.

Mr. HUMPHREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

BIPARTISAN NEWSLETTERS NOS. 52 THROUGH 56

Mr. HUMPHREY. Mr. President, the bipartisan floor leaders of the civil rights bill make a practice of placing each week's newsletters in the RECORD. I ask unanimous consent that newsletters Nos. 52 through 56 be printed at this point in the RECORD.

There being no objection, the newsletters were ordered to be printed in the RECORD, as follows:

BIPARTISAN CIVIL RIGHTS NEWSLETTER No. 52, MAY 12, 1964

(The 36th day of debate on H.R. 7152; 53d day of debate on civil rights)

(The bipartisan Senate leadership supporting the civil rights bill, H.R. 7152, headed by Senator HUBERT H. HUMPHREY and Senator THOMAS KUCHEL, will distribute this newsletter to the offices of the Senators who support the legislation. This newsletter will help to keep Senators and their staffs fully informed on the civil rights bill. It will be distributed whenever circumstances warrant, daily, if necessary.)

1. Quorum disaster: The first three quorum calls yesterday were made in 20 minutes each, but when the fourth one was called after 6 o'clock, it took 1 hour and 11 minutes for 51 Senators to get to the Chamber. A fifth quorum, called at 10:16, required more than an hour and a half.

Fulfillment of their quorum obligations is the only way that most supporters of civil rights can presently contribute to the passage of the bill. When they fail to meet these obligations, the civil rights struggle suffers a defeat, and the prospects for a post-convention session grow stronger.

2. Tuesday's schedule: The Senate will convene at 10 this morning and will stay in session until late tonight. Live quorums should be expected throughout the session. Floor captains for Tuesday:

Democrats: HART, 10 to 1; MORSE, 1 to 4; DODD, 4 to 7; PROXMIRE, 7 to close.

Republicans: JAVITS, all day; MILLER, all day.

3. In 1955 Justice William Douglas and Robert F. Kennedy, then a Senate staff member, toured the Soviet Union. A year later Mr. Kennedy described one of their interesting discoveries in the Soviet Union:

"In every city that we visited there were two different school systems. There was one set of schools for the local children—those of different color and race from the European Russian children. State and collective farms were operated by one group or the other, rarely by a mixture of both.

"Although work is supposedly being done to minimize the differences, many of the cities we visited were still split into two sections, with the finer residential areas being reserved for the European Russians. European Russians coming into the area receive a 30-percent wage preferential over local inhabitants doing the same jobs. The whole picture of segregation and discrimination was as pronounced in this area as virtually anywhere else in the world." (New York Times magazine, April 8, 1956.)

4. More true crimes stories: The following remarks by a supporter of the civil rights bill may be interesting, in view of the attempts by the enemies of the bill to distract attention from racial discrimination by telling bloodcurdling stories about crime in New York City:

"The Federal Bureau of Investigation crime statistics indicate clearly that the streets of New York City are actually safer than those of a number of Southern cities, including Atlanta and Savannah, in Georgia, from which some of the severest criticism on this issue has been directed toward us.

"New York City's crime rate for serious offenses * * * per 100,000 inhabitants was 1,509.7. What the Southern Senators fail to note is that the crime rate was higher in the following 18 Southern metropolitan areas:

"Amarillo, Tex., 1,751.1; Atlanta, Ga., 1,796.3; Baton Rouge, La., 1,654; Charleston, S.C., 1,891.2; Charlotte, N.C., 1,592.9; Corpus Christi, Tex., 1,920.6; Fort Lauderdale-Hollywood, Fla., 1,778.6; Galveston-Texas City, Tex., 1,529.5; Greenville, S.C., 1,639.1; Houston, Tex., 1,637.2; Jacksonville, Fla., 1,584.7; Laredo, Tex., 1,645.7; Lubbock, Tex., 1,713.9; Miami, Fla., 2,322.2; Pensacola, Fla., 1,631.5; Richmond, Va., 1,593; San Antonio, Tex., 1,579.2; Savannah, Ga., 1,513.4." (CONGRESSIONAL RECORD, May 5, 1965, p. 9744.)

BIPARTISAN CIVIL RIGHTS NEWSLETTER No. 53 MAY 13, 1964

(The 37th day of debate on H.R. 7152; 54th day of debate on civil rights)

(The bipartisan Senate leadership supporting the civil rights bill, H.R. 7152, headed by Senator HUBERT H. HUMPHREY and Senator THOMAS KUCHEL, will distribute this newsletter to the offices of the Senators who support the legislation. This newsletter will help to keep Senators and their staffs fully informed on the civil rights bill. It will be distributed whenever circumstances warrant, daily, if necessary.)

1. Quorum scoreboard: Civil rights Senators got back on the track yesterday, making four quorums in an average of 22 minutes.

2. Wednesday's schedule: The Senate will be in session from 10 this morning until late tonight. Opponents of the civil rights bill have said that they will continue to prevent a vote on the Mansfield-Dirksen jury trial amendment this week. Floor captains for Wednesday:

Democrats: HART (10 to 1), KENNEDY (1 to 4), MUSKIE (4 to 7), NELSON (7 to close).

Republicans: COOPER (all day), CURTIS (all day).

3. A short lesson on evaluating the "Educational Debate." Opponent: "I have had the privilege of spending approximately 25 years of my life in courtrooms * * * for 7 years I was honored to serve my State in the capacity of a superior court judge. Since North Carolina provides the right of trial by jury in respect to the issues of fact in all civil cases, regardless of whether they involve equitable or legal elements, and in all criminal cases whatsoever, I spent most of my time presiding over jury trials. There is no objection that can be urged against trial by jury in a civil rights proceeding that cannot be urged against the right of trial by jury in cases involving murder, arson, burglary, rape, larceny, treason, or any other offense known to the catalog of crimes. It is surprising that any American would take such a position." (CONGRESSIONAL RECORD, May 8, 1964, p. 10088.)

The following is from an opinion by the North Carolina Supreme Court: "Under North Carolina General Statutes, Section 5-1 which supplants the common law in authorizing contempt proceedings, the proceeding is sui generis, criminal in its nature, and which may be resorted to in civil or criminal actions and entitles persons charged to no jury trial. In contempt proceeding authorized by Section 5-1 of the general statutes of North Carolina arising out of defendant's failure to obey an order restraining intimidation of employees crossing a picket line the court had jurisdiction to render a judgment of fine and imprisonment without a jury trial." (*Safie Mfg. Co. v. Arnold*, 228 N.C. 375; 45 S.E. 2d 577.)

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued May 22, 1964
For actions of May 21, 1964
88th-2nd, No. 102

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HIGHLIGHTS: House subcommittee voted to report bill to increase durum wheat allotments in Tulare, Calif. House Rules Committee deferred action on food marketing commission bill. House Rules Committee reported pay bill. Rep. Dawson inserted AID Administrator's address praising agriculture and Public Law 480 projects in foreign aid. Rep. Cleveland charged government "neglect" of woolen industry while helping cotton industry. Rep. Frelinghuysen inserted minority staff's analysis and commentary on poverty bill. Rep. Cooley praised Rep. Cannon's work for agriculture. House passed independent offices appropriation bill. Sen. McGee reviewed conflicts in statistics on beef imports. Sen. Nelson and Rep. Kastenmeier introduced and Sen. Nelson discussed dairy bill.

SENATE

1. BEEF IMPORTS. Sen. McGee expressed concern that statistics had been "presented to show when the President said there was a reduction in imports of beef that actually there had been increases in the imports of beef," and explained why there may be conflicts in statistics on beef imports because of statistics gathered and published by both this Department and the Bureau of the Census.
p. 11192

2. FOREIGN TRADE. Sen. Jordan, Ida., expressed concern over possible adverse effects of the GATT trade negotiations on the economy of Ida. and inserted his letter to Christian A. Herter suggesting actions our trade negotiators take to protect our domestic industry, including agriculture and forestry. pp. 11193-4
Received from the Export-Import Bank a report on shipments to Yugoslavia insured by the Foreign Credit Insurance Association and the Export-Import Bank under the short term export credit insurance program, for April 1964. p. 11166
3. DISASTER RELIEF. Sen. Gruening urged that the Small Business Administration lower the interest rate on loans to Alaskan earthquake disaster victims and inserted an AFL-CIO statement in support of his position. pp. 11170-1
4. APPROPRIATIONS. Received from the President a proposed supplemental appropriation in the amount of \$949,064, to pay claims and judgments rendered against the United States; to Appropriations Committee. p. 11166
5. CIVIL DEFENSE. Sen. Young, Ohio, spoke against the appropriations asked for civil defense for the coming year and inserted an editorial, "The Mess in Civil Defense." pp. 11174-75
6. POVERTY. Sen. Yarborough stated that education is "so important a part of a longrange solution to the elimination of poverty" and inserted an article in support of his belief. p. 11191
7. RECREATION. Sen. Pearson commended several rural communities in Kansas for taking steps to establish recreational areas of "great potential" and inserted an editorial commending Farmers Home Administration loans for this purpose. pp. 11191-2
8. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill. pp. 11194, 11205-15, 11217-22, 11238
9. SCIENCE; RESEARCH. Received nominations of eight persons to be members of the National Science Board, National Science Foundation. p. 11238
10. FARM INCOME. Sen. Proxmire expressed concern over the level of farm income, stated that the consumer could spend less of his income on food because of the efficiency of the farmer, and inserted a radio broadcast contending that farm income was "too low now by several billions of dollars a year." p. 11172

HOUSE

11. FOOD MARKETING; PUBLIC LAW 480. The Rules Committee deferred action on H. J. Res. 977, to establish a National Commission on Food Marketing, and on H. Res. ~~727, to grant additional travel authority to the Agriculture Committee for a study of the Public Law 480 program.~~ p. D401
12. WHEAT. The Wheat Subcommittee of the Agriculture Committee voted to report to the full committee H. R. 10708, to provide for increased wheat acreage allotments in the Tulalake area of Calif. pp. D400-1
13. PAY. The Rules Committee reported a resolution for the consideration of H. R. 11049, the Federal employees' pay bill (p. 11328). Rep. Gross questioned the nonscheduling of the pay bill for the consideration of the House for next week (p. 11312).
Asreported, this bill includes provisions as follows: Increases the rates

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

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Issued May 27, 1964

For actions of May 26, 1964

88th-2nd; No. 105

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HIGHLIGHTS: House committee approved poverty bill. House Rules Committee voted to clear food marketing study bill. Rep. Aspinall contended that reclamation program does not cause additional crop surpluses. Rep. Frelinghuysen criticized committee approval of poverty bill. Sen. Jordan, Ida., inserted items urging limitation on meat imports. Sen. McCarthy inserted Shriver's speech on effects of poverty program on rural areas.

SENATE

1. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill (pp. 11505-7, 11528-54). Sen. Dirksen submitted an amendment in the nature of a substitute for the text of the bill, and stated the proposed amendment was the result of compromises worked out in conferences with Democratic leaders (pp. 11537-47).
2. STOCKPILE. The Armed Services Committee reported H. R. 10774, without amendment, to authorize the disposal, without regard to the prescribed six-month waiting period, of cadmium from the national stockpile and the supplemental stockpile (S. Rept. 1026), and S. 2272, with amendment, to insure the availability of certain critical materials during a war or national emergency by providing for a reserve of such materials (S. Rept. 1025). p. 11502

3. LANDS. The Public Lands Subcommittee of the Interior and Insular Affairs Committee approved for full committee consideration S. 1477, with amendment, to direct the Secretary of the Interior to sell certain public lands in Ariz., and S. 2082, without amendment, to authorize the Secretary of the Interior to accept a transfer of certain lands within the Everglades National Park, Fla., for administration as a part of the park. p. D412
4. POVERTY. Sen. McCarthy inserted Sargent Shriver's speech before the National Advisory Council on Farm Labor describing "the direct and immediate help the poverty bill will bring to America's rural poor." pp. 11511-2
Sen. Williams, N. J., inserted a speech by A. Philip Randolph before the National Advisory Council on Farm Labor urging enactment of the proposed poverty bill as a means of helping the farmworker. p. 11510
5. MEAT IMPORTS. Sen. Jordan, Ida., inserted and commended the statement adopted by the Western States Beef Import Conference urging enactment of legislation to limit meat imports. pp. 11513-4
6. MONOPOLIES. The Judiciary Committee submitted for printing a report, "Anti-trust and Monopoly Activities, 1963." p. 11503
7. PERSONNEL. Sen. Carlson stated that it "is not generally recognized that great changes have occurred in the composition of the work force occasioned by advancing technology, increasing population, and changing Government mission," and inserted and commended an address by Civil Service Commissioner Robert E. Hampton describing recent changes in Federal personnel management. pp. 11520-3
8. FOREIGN AID. Sen. Javits commended the appointment of the Advisory Committee on Private Enterprise in Foreign Aid. p. 11517
9. APPROPRIATIONS. Sen. McCarthy expressed concern over "delay in acting on appropriation bills" and inserted a statement of the National Capital area chapter of the American Society for Public Administration, "The Administrative Cost of Delayed Appropriations." pp. 11510-1
10. WILDERNESS. Sen. Metcalf paid tribute to the late Dr. Howard Zahniser, executive director of the Wilderness Society. pp. 11508-9

HOUSE

11. APPROPRIATIONS. By a vote of 340 to 5, passed without amendment H. R. 11369, the military construction appropriation bill for 1965. pp. 11562-78
12. POVERTY. The "Daily Digest" states that the Education and Labor Committee "Met in executive session and adopted H. R. 10440, the Economic Opportunity Act of 1964, as amended; a clean bill to be introduced." p. D413
Rep. Frelinghuysen criticized committee approval of the poverty bill. pp. 11584-5
13. MEAT IMPORTS. Rep. Morris stated, "Australian grazers and meat industry representatives were extremely pleased with the meat import agreement concluded with the United States." p. 11603
14. FOOD MARKETING. The "Daily Digest" states that the Rules Committee "Granted an open rule, with 2 hours of debate, on H. J. Res. 977, to establish a National Commission on Food Marketing." p. D414

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
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For actions of May 27, 1964
88th-2nd; No. 106

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		Water conservation.....3

HIGHLIGHTS: Both Houses received President's proposal on Alaska aid. Sen. Pearson recommended Grain Marketing Research Center. Sen. Mundt said administration is not giving enough support to soil and water conservation. House Rules Committee cleared food marketing study bill. Rep. Berry spoke in support of labeling imported beef. House committee voted to report foreign aid bill. House Rules Committee cleared road authorizations bill.

SENATE

1. **ALASKA AID.** Both Houses received from the President a proposed bill to provide assistance to Alaska in providing for reconstruction of areas damaged by the earthquake of March 1964; to Senate Public Works Committee and House Interior and Insular Affairs Committee. pp. 11685, 11688
2. **MARKETING RESEARCH.** Sen. Pearson recommended establishment of a Grain Marketing Research Center at Manhattan, Kans. pp. 11724-5
3. **SOIL-WATER CONSERVATION.** Sen. Mundt reviewed the establishment of the various programs relating to soil and water conservation, including the contributions of the Eisenhower administration, and stated that the Johnson administration is not giving enough support to these programs. pp. 11729-31
4. **CIVIL RIGHTS.** Continued debate on H. R. 7152, the civil rights bill. pp. 11751-2, 11761-70
5. **REPORT.** Both Houses received from the Treasury Department its report "on the

state of the finances" (H. Doc. 253). pp. 11688, 11685

6. ADA RESOLUTIONS. Sen. Clark inserted resolutions by Americans for Democratic Action, including those on foreign trade, economic policy, poverty, housing, and education. pp. 11712-22

HOUSE

7. FOOD MARKETING. The House Rules Committee reported a resolution for consideration of H. J. Res. 977, to establish a National Commission on Food Marketing. pp. 11637-8
8. BEEF IMPORTS. Rep. Berry spoke in support of his bill, H. R. 10157, to prohibit the sale of imported meat which is not identified as such. p. 11673
9. FOREIGN AID. The Committee on Foreign Affairs voted to report (but did not actually report) H. R. 11380 (a clean bill in lieu of H. R. 10502), the foreign aid bill. p. D419
10. IMPORTS. Passed without amendment H. R. 10463, to continue through June 30, 1965, the existing suspension of duties for metal scrap. pp. 11638-9.
Passed without amendment H. R. 10465, to extend through June 30, 1966, the free importation of personal and household effects brought into the U. S. under Government orders. p. 11640
Passed as reported H. R. 4198, to provide for the free importation of soluble or instant coffee which contains no admixture of sugar, cereal, or other additive. pp. 11641-43
11. POVERTY. Rep. Gross indicated that an Extension Service man tried to make a farm family look poorer to President Johnson than they were. p. 11638
12. ROADS. The "Daily Digest" states that the Rules Committee "Granted an open rule, with 2 hours of debate, on H. R. 10503, to authorize appropriations for highway construction," which includes authorizations for forest roads and trails. p. D420
13. BUILDINGS. Rep. Baring spoke in favor of H. R. 11055, his bill to eliminate the provision for assessment charges on blind persons' stands in Federal buildings. pp. 11678-9

ITEMS IN APPENDIX

14. PERSONNEL; PAY. Rep. Gross inserted an editorial opposing the Federal pay bill, H. R. 11049. p. A2822
15. AWARDS. Rep. Nelsen inserted an article criticizing presentation of the Distinguished Service Award to Horace Godfrey. p. A2828
16. POVERTY. Reps. Gross and Betts inserted a letter and an editorial, respectively, criticizing the poverty program. p. A2835, A2838-9
17. WATER. Rep. Beckworth inserted an editorial favoring a long-range water program for Tyler, Tex. pp. A2844-5



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No. 106

House of Representatives

The House met at 12 o'clock noon.

Michael A. Guido, director of the Guido Evangelistic Association, Inc., of Metter, Ga., offered the following prayer:

Father, we thank Thee that no prayer is too hard for Thee to answer, no need too great for Thee to supply, and no passion too strong for Thee to subdue. We come to Thee this day for our work and with our wants, casting all our care upon Thee, knowing that Thou dost care for us.

Command Thy blessings in behalf of our President, our Speaker, and our chosen Representatives. Give wisdom for their minds, clearness in their thinking, truth in their speaking, and love in their hearts.

Load their homes, Father, with Thy benefits. Guide and guard the feet of their children, and give Thy peace and protection to their companions.

Keep our country safe and strong, incline our hearts to walk in Thy ways, and bring us, Father, to the evening hour undefeated by Satan and sin. This I ask in the name of Jesus, who loved us and gave himself for us. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Bradley, one of its clerks, announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 741. An act to amend title 18, United States Code, to prohibit schemes in interstate or foreign commerce to influence by bribery the outcome of sporting contests, and for other purposes.

THE LATE JAWAHARLAL NEHRU, PRIME MINISTER OF INDIA

(Mr. ALBERT asked and was given permission to address the House for 1 minute.)

Mr. ALBERT. Mr. Speaker, I was shocked to learn this morning, as was the

entire world, of the death of India's Prime Minister, Jawaharlal Nehru.

Our good friends in India have lost a great leader. Prime Minister Nehru was a friend of the common man, of all the people he represented. He drew his strength from the Indian masses, and his figure was a tower of decency and firm character for all the world.

All Americans commiserate with the good people of India in this hour of sadness and mourning. We, too, share in the loss of this great man, for Prime Minister Nehru embodied part of our hopes for peace in the world. Backed by the people of India, Prime Minister Nehru was a bulwark of freedom and peace, not only in Asia but in all the world.

We first knew him as a disciple of Mahatma Gandhi and as a commanding figure together with Gandhi in bringing about the independence of India. Prime Minister Nehru's name will live forever, not only in the pages of history but in the hearts of all men of good will.

A GREAT STATESMAN AND WORLD LEADER PASSES

(Mr. ZABLOCKI asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. ZABLOCKI. Mr. Speaker, the passing of Indian Prime Minister Jawaharlal Nehru is a great and tragic loss to the people of India and to the world.

We extend our deepest sympathy to the Indian people.

Prime Minister Nehru had given unstintingly of himself in leading his people since India received its independence 17 years ago. Although many of his decisions were unpopular or questionable, he always acted in what he believed to be in the best interests of his people.

When the news of Nehru's death was announced to India's millions, one official there said, "The light has gone out." The comment was most appropriate, for Mr. Nehru was the symbol of light and progress in a country plagued by problems of hunger and development, of growth and freedom.

Throughout his years, Prime Minister Nehru was the national symbol of unity

to his people. To the rest of the world, he was a man deeply committed to liberty of the individual and the advancement of India as a world power. As such, he played an important role in the struggle for independence and freedom in Asia, a struggle undertaken in the face of staggering odds.

Although Mr. Nehru is gone, the struggle will go on. I am sure that the people of India will carry on in the tradition of its two great national heroes, Mr. Gandhi and Mr. Nehru.

CORRECTION OF THE RECORD

Mr. JONAS. Mr. Speaker, I ask unanimous consent to have a typographical error which appears in the RECORD of yesterday corrected as follows: In the first column, third paragraph from the bottom of page 11577, I was quoted as using the figure "\$27 million." The figure should be \$279 million.

Mr. Speaker, I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

NATIONAL COMMISSION ON FOOD MARKETING

Mr. TRIMBLE, from the Committee on Rules, reported the following privileged resolution (H. Res. 737, Rept. No. 1433) which was referred to the House Calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the joint resolution (H.J. Res. 977) to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer. After general debate, which shall be confined to the joint resolution and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the joint resolution shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the joint resolution for amendment, the Committee shall rise and report the joint

resolution to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the joint resolution and amendments thereto to final passage without intervening motion except one motion to recommit.

POVERTY?

(Mr. GROSS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GROSS. Mr. Speaker, President Johnson carried his so-called war on poverty into North Carolina earlier this month and his political stage managers apparently let him down.

The President was taken to the allegedly poverty stricken tobacco and cotton farm of William Marlow near Rocky Mount. There he posed, with the usual fanfare, with members of the family.

But now, according to news service reports, Mrs. Marlow says, "We did not even feel like we were in poverty."

Then she went on to relate how a representative of the North Carolina Extension Service, "the Governor's man," as she described him, "tried to make us look poorer than we are."

This representative, she said, "told me to be sure and have a washing on the line when the President came and also to be sure the children were barefooted when the President arrived."

We still await the day when the President and his retinue visit that pocket of poverty on the Johnson farm in Alabama.

CORRECTION OF ROLL CALL

Mr. HARRISON. Mr. Speaker, on roll-call No. 135 on yesterday I was reported absent. I was present and answered to my name, and I ask unanimous consent that the permanent RECORD and Journal be so corrected.

The SPEAKER. Is there objection to the request of the gentleman from Wyoming?

There was no objection.

RELATING TO PLACEMENT OF DEPENDENT CHILDREN

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 9688), to extend the period during which responsibility for the placement and foster care of dependent children, under the program of aid to families with dependent children under title IV of the Social Security Act, may be exercised by a public agency other than the agency administering such aid under the State plan, which was unanimously reported favorably by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 155(b) of the Public Welfare Amendments of 1962 is amended by striking out "June 30, 1964" and inserting in lieu thereof "June 30, 1967".

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, I ask unanimous consent that I be permitted, along with the gentleman from Wisconsin, and the authors of the bills that do pass today to extend our remarks immediately following the passing of the bills in explanation of them.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 9688 is to extend until June 30, 1967, the provision of the Public Welfare Amendments of 1962—Public Law 87-543—as extended by Public Law 88-48, which permits the responsibility for the placement and foster care of dependent children under the program of aid and services to needy families with children—title IV of the Social Security Act—to be exercised by a public agency other than the agency which regularly administers this program.

Under the permanent provisions of existing law, Federal matching is made available as to certain children placed under foster care pursuant to court order. The 1962 legislation provided an exception to the requirement that the responsibility for placement and care must reside solely with the State or local agency administering the title IV program so as to take care of the situation in a few States where it has been the practice for other public agencies, particularly juvenile courts, to be responsible for arranging the placement and providing for the supervision of children who the courts have decided should live in homes other than those of their own families.

The legislation also required that the Secretary of Health, Education, and Welfare submit to the President, for transmission to the Congress, a full report of the administration of the temporary provision, including the experiences of each of the States in arranging for foster care together with recommendations as to continuation of, and modifications in, the procedure authorized by such provision. The Secretary's report, duly filed with the President and the Congress, indicated that there has still been insufficient experience under the temporary provision to permit an evaluation with respect to its effectiveness or the desirability of modifications.

Therefore, the Committee on Ways and Means unanimously recommends that the provision, which would otherwise expire on June 30, 1964, be extended until June 30, 1967. The Department of Health, Education, and Welfare has no objection to enactment of this legislation, which was introduced by our colleague, the gentleman from California, the Honorable JOHN F. BALDWIN, JR. An Advisory Council on Public Welfare, to be appointed in 1964 under a provision contained in the Public Welfare Amendments of 1962—Public Law 87-543—will have the opportunity to consider this provision along with other provisions scheduled to expire on June 30,

1967, and to give the Congress the benefit of its views well before that date.

Mr. BYRNES of Wisconsin. Mr. Speaker, this bill extends the provision of the Public Welfare Amendments of 1962, which permits placement and foster care of dependent children under the program in the Social Security Act to be made by a public agency, other than the agency which regularly administers the program. This provision of the Public Welfare Amendments of 1962 was once before extended earlier in this Congress until June 30, 1964. The bill we are considering today would extend it for an additional 3 years until June 30, 1967.

The 1962 act provides this exception in recognition of the fact that in some States public agencies, other than those administering the program, sometimes place children in foster homes, that is, juvenile courts. Under the 1962 legislation the Secretary of HEW was required to report on this temporary provision and make whatever recommendations might be in order. This report having been completed indicates that there is, as yet, not enough experience to properly evaluate the provision or possible modifications. Therefore, the Ways and Means Committee is again recommending that Congress act to extend the temporary provision to allow proper time to study its effectiveness.

It would make little sense to modify or terminate this provision unless we knew why we were modifying or terminating it. Therefore, until the necessary information can be brought to light, I feel that we ought to extend it as is.

[Mr. BALDWIN addressed the House. His remarks will appear hereafter in the Appendix.]

TEMPORARY SUSPENSION OF DUTIES FOR METAL SCRAP

Mr. MILLS. Mr. Speaker I ask unanimous consent for the immediate consideration of the bill (H.R. 10463), to continue until the close of June 30, 1965, the existing suspension of duties for metal scrap, which was unanimously reported favorably by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the matter appearing in the effective period column for items 901.10, 911.11, and 911.12 of title I of the Tariff Act of 1930 (Tariff Schedules of the United States; 28 F.R., part II, page 433, Aug. 17, 1963) is amended by striking out "On or before 6/30/64" and inserting in lieu thereof "On or before 6/30/65".

(b) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse, for consumption, after June 30, 1964.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 10463 is to continue for 1 year,

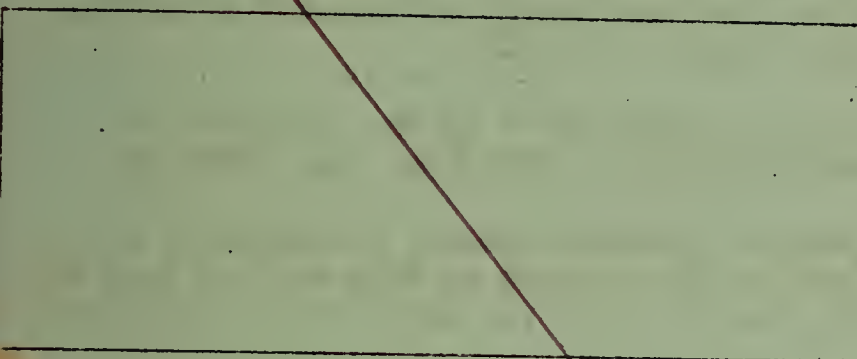
Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued June 5, 1964
For actions of June 4, 1964
88th-2nd; No. 111



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HIGHLIGHTS: Both Houses agreed to conference report on deficiency appropriation bill. House passed food marketing study bill. House committee reported public debt increase bill. Rep. Shriver stated beef imports hurting both beef and dairy producers. Rep. Cramer criticized public works acceleration program. Senate committee reported bill to extend Reorganization Act.

HOUSE

1. DEFICIENCY APPROPRIATION BILL, 1964. Both Houses agreed to the conference report on this bill, H. R. 11201, and acted on amendments in disagreement (pp. 12265-70, 12310-3). This bill will now be sent to the President. Concurred in amendments providing \$4 million (instead of \$5 million as originally proposed by the Senate) for ASCS emergency conservation measures and providing \$650,000 for the Forest Service for repair and replacement of recreational facilities and other structural improvements damaged by the Alaskan earthquake. See Digest 110 for a summary of other items of interest to this Department.
2. FOOD MARKETING. Passed with amendments S. J. Res. 71, to provide for the establishment of a bipartisan National Commission on Food Marketing of 15 members to make a study of the food industry from the farmer to the consumer (pp. 12313-34). A similar resolution, H. J. Res. 977, was tabled (p. 12334).

House conferees were appointed (p. 12334). Senate conferees have not yet been appointed.

Agreed to the following amendments:

By Rep. Hoeven, to provide that the Commission (rather than the Chairman) shall approve the employment and fix the compensation of personnel of the Commission. pp. 12327-8

By Rep. Findley, to provide that the study shall include the effect of imported food on U. S. producers, processors, and consumers. p. 12333

By Rep. Smith, Calif., to provide that the study shall include the effectiveness of the dissemination of market news. p. 12333

Rejected an amendment by Rep. Hoeven, by a vote of 76 to 94, to reduce the authorization for the study from \$1,500,000 to \$500,000. pp. 12328-32

3. PUBLIC DEBT. The Ways and Means Committee reported without amendment H. R. 11375, to increase the temporary public debt ceiling to \$324 billion from the date of enactment of the bill until June 30, 1965 (H. Rept. 1463). p. 12349
4. TAXATION. The Ways and Means Committee reported without amendment H. R. 11376 to provide a 1-year extension of certain excise-tax rates (H. Rept. 1464). p. 12349
5. PERSONNEL. The Post Office and Civil Service Committee reported with amendment S. 1833, to authorize Government agencies to provide quarters, household furniture and equipment, utilities, subsistence and laundry service to certain Federal employees occupying Government quarters (H. Rept. 1459). p. 12349
The Post Office and Civil Service Committee submitted a report on a study of manpower utilization in financial management functions in the Defense Department (H. Rept. 1460). p. 12349
6. RECLAMATION. The Subcommittee on Irrigation and Reclamation of the Interior and Insular Affairs Committee voted to report to the full committee H. R. 2411, to authorize the Secretary of the Interior to construct the Auburn-Folsom south unit, American River division, Central Valley project, Calif. p. D441
7. BEEF IMPORTS. Rep. Shriver stated and inserted items contending that beef imports adversely affect both beef and dairy producers on the basis that imported beef competes directly with low grade beef of domestic dairy animals, and he urged enactment of legislation to restrict beef imports. pp. 12342-3
8. PUBLIC WORKS. Rep. Cramer inserted a report of GAO to Congress, "Overstatement of Number of Jobs Created Under the Accelerated Public Works Program, Area Redevelopment Administration," and stated the report "shows conclusively that pump-priming through public works projects is not the answer with respect to unemployment and as a sound means toward the creation of new jobs." pp. 12339-42
9. POVERTY. Rep. Taft inserted a summary table of appropriations for fiscal year 1964 for Federal programs currently operating to combat poverty, including a listing of programs of this Department. p. 12343

The Clerk read as follows:

Senate amendment No. 11: Page 10, line 1, insert the following:

*"Bureau of Sport Fisheries and Wildlife
"Construction*

"For an additional amount for 'Construction', \$50,000, to remain available until June 30, 1965."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 11 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 12: Page 10, line 5, insert

"THE ALASKA RAILROAD

"Payment to the Alaska Railroad revolving fund

"For payment to the Alaska Railroad revolving fund for authorized work of the Alaska Railroad, including repair, reconstruction, rehabilitation, or replacement of facilities, including equipment, damaged or destroyed as a result of the Alaska earthquake, to remain available until expended, \$25,200,000, of which \$7,800,000 may be made available to the Corps of Engineers for reconstruction of the Seward dock facilities."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 12 and concur therein with an amendment, as follows: In lieu of the sum of \$25,200,000 named in said amendment, insert "\$20,000,000".

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 13: Page 10, line 15, insert:

"FUNDS APPROPRIATED TO THE PRESIDENT

"Transitional grants to Alaska

"For an additional amount for 'Transitional grants to Alaska', as authorized by section 44 of the Alaska Omnibus Act (76 Stat. 151), as amended, \$17,000,000, to remain available until June 30, 1965."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 13 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 14: Page 11, line 1, insert:

"DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

"Public Health Service

"Construction of Indian Health Facilities

"For an additional amount for 'Construction of Indian Health Facilities', \$750,000 to remain available until expended."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 14 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 15: Page 11, line 8, insert:

"INDEPENDENT OFFICES

"Federal Reconstruction and Development Planning Commission for Alaska

"Salaries and Expenses

"For necessary expenses of the Federal Reconstruction and Development Planning Commission for Alaska, established by Executive Order 11150 of April 2, 1964, including services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$75 per diem, \$150,000, to remain available until June 30, 1965."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 15 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 16: Page 12, line 11, insert:

"MANPOWER ADMINISTRATION

"Manpower development and training activities

"For an additional amount for 'Manpower Development and Training Activities', \$24,300,000, to be available without regard to the provisions of section 301 of the Act: Provided, That these funds shall be used only for training programs and State and local related costs under title II."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 16 and concur therein with an amendment, as follows: In lieu of the sum proposed in said amendment, insert: "\$20,000,000".

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 18: Page 15, line 18, insert "For payment to Ida W. Cannon, widow of Clarence Cannon, late a Representative from the State of Missouri, \$22,500."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 18 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows: Senate amendment No. 20:

Page 18, line 10, insert:

"DEPARTMENT OF COMMERCE

"Coast and Geodetic Survey

"Salaries and Expenses

"For an additional amount for 'Salaries and expenses', to remain available until June 30, 1965, \$1,720,000, of which \$600,000 shall be derived by transfer from the appropriation to the Department of Commerce for 'Participation in Century 21 Exposition'."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 20 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows: Senate amendment No. 21:

Page 19, line 18, insert "\$10,800,000 of which \$500,000 is to be derived by transfer from the appropriation for 'Salaries and expenses, Office of the Treasurer', fiscal year 1964."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 21 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 22: Page 20, line 3, insert "to be derived by transfer from the appropriation for 'Salaries and expenses, Office of the Treasurer', fiscal year 1964."

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 22 and concur therein.

The motion was agreed to.

A motion to reconsider the votes by which action was taken on the several motions was laid on the table.

CORRECTION OF VOTE

Mr. BONNER. Mr. Speaker, on roll-call No. 145 I am recorded as not voting. I was present and voted "nay." I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

NATIONAL COMMISSION ON FOOD MARKETING

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules I call up House Resolution 737, and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union

for the consideration of the joint resolution (H.J. Res. 977) to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer. After general debate, which shall be confined to the joint resolution and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the joint resolution shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the joint resolution for amendment, the Committee shall rise and report the joint resolution to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the joint resolution and amendments thereto to final passage without intervening motion except one motion to recommit.

(Mr. MADDEN asked and was given permission to revise and extend his remarks.)

Mr. MADDEN. Mr. Speaker, I yield 30 minutes of my time to the gentleman from California [Mr. SMITH], and pending that I yield myself such time as I may consume, at this time.

Mr. Speaker, House Resolution 737 provides for consideration of House Joint Resolution 977 to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer. The resolution provides an open rule with 2 hours of general debate.

The Commission is to be made up of 15 members. The resolution states that the Commission is to be bipartisan in nature.

Americans today enjoy the lowest food prices—less than 19 percent of takehome pay—in relation to consumer income in the history of the world. One of the reasons for this tremendous boon is the revolution in production that has taken place on the American farm. Today less than 8 percent of our population produces the food and fiber for all of the population plus an amount that is shared with those abroad in the form of \$4 billion in exports for dollars and \$2 billion in exports through food-for-peace programs.

The farmer's successes in the area of improved production have not brought to them the security and income that such an achievement should normally produce. His share of the food dollar spent by the consumer has declined steadily from 47 cents in 1950 to 37 cents today. In the past 16 years the prices received by farmers for their products have dropped 12 percent, while the prices paid by consumers for farm-produced food have increased by 29 percent.

There has been no satisfactory explanation for the sharp increase in spread between what farmers receive for what they sell and what the consumer pays for the food he purchases in the marketplace.

Mr. Speaker, the American public is vitally interested in the information that will be disclosed by the study to be performed by the National Commission on Food Marketing, and I urge that House Resolution 737 be adopted.

Mr. SMITH of California. Mr. Speaker, I yield myself such time as I may consume.

(Mr. SMITH of California asked and was given permission to revise and extend his remarks.)

Mr. SMITH of California. Mr. Speaker, as stated by the gentleman from Indiana [Mr. MADDEN], House Resolution 737 provides 2 hours of general debate under an open rule to consider House Joint Resolution 977. I concur in the remarks of the gentleman from Indiana as to the purpose of this resolution and the makeup thereof.

I have several things I would like to bring to the attention of the House. If this is to be considered a bipartisan national commission I somewhat feel we should go back to the time the Hoover Commission was started. It would be better to have an equal number of Members from both sides of the aisle; in other words, four from the House, four from the Senate, and four to be appointed by the President of the United States rather than the odd number of five individuals.

I think the powers given this Commission go quite a long way. This will give the Commission tremendous authority. I would also like to bring to your attention the fact that the pay of each one of the Commission members will be at the rate of \$100 a day. The entire cost of the program is to be \$1½ million.

Mr. Speaker, I am going to offer an amendment to this particular bill which I would like to call to the attention of the Members at this time. The reason I offer this amendment is because the newspaper in Pasadena, Calif., in my district, the Star-News, over the months has sent me information having to do with the Marketing News Service in the Department of Agriculture. My friend, Mr. Ben Ridder, who publishes this fine newspaper, is concerned about this matter. It involves the same debate we had when the Agriculture appropriation bill was considered last week.

In section 5, page 3 of this bill, one of the authorities given to this Commission is to investigate the effectiveness of the services and the regulatory activities of the Federal Government in terms of present and probable developments in the industry.

My amendment will place a comma after the word "services" and then insert the following words, "including the dissemination of market news."

This is not in any way to be a restrictive amendment. I want to make the record perfectly clear on that, because the first five words probably permit this Commission to do this in the first place when it says, "The effectiveness of the services"; but to make it clear, I want to add those particular words, so that this can be one of the items the Commission can look into. At least, they will have the authority. It is not meant in any way to be restrictive. It is to be broadening, including all the other services. I have attempted to clear it as best I could on both sides of the aisle. I do not think there will be any serious objection to the amendment.

Mr. Speaker, I have one request for time. I yield 2 minutes to the gentleman from Nebraska [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Speaker, I support this legislation. I introduced a companion bill. I am pleased to see that the committee adopted one of the amendments which I suggested when I testified in favor of the legislation before the Committee on Agriculture.

The reason I favor this legislation is that I think a study of this kind is needed and is long overdue. There is a spread between what the producer receives and what the consumer pays. I know this particularly well because I come from the largest meatpacking and livestock center in the world, which is Omaha, where we have depressed prices to the producer but this does not reflect itself in the prices paid by the consumer. So I am particularly concerned about that.

There are some people that hold a halo over this spread. There are other people who believe there is some skulduggery afoot. I do not know which is true, but I think this study will prove once and for all why this spread exists. It will clear the air. Therefore, I wanted to make these remarks in support of the rule and, of course, the passage of the joint resolution.

Mr. MADDEN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

Mr. POAGE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the joint resolution (H.J. Res. 977) to establish a National Commission for Food Marketing to study the food industry from the farm to the consumer.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of House Joint Resolution 977 with Mr. CHARLES H. WILSON in the chair.

The Clerk read the title of the joint resolution.

By unanimous consent, the first reading of the joint resolution was dispensed with.

The CHAIRMAN. Pursuant to the rule, the gentleman from Texas [Mr. POAGE] will be recognized for 1 hour and the gentleman from Iowa [Mr. HOEVEN] will be recognized for 1 hour.

The Chair recognizes the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, this resolution provides for the appointment of a 15-man bipartisan commission to make a comprehensive study into all aspects of the marketing of agricultural products from the farm through to the consumer.

Most of us have overlooked the tremendous change that has taken place in agriculture and agricultural marketing within the last generation. No industry in the world has made the great changes which have been made in American agriculture. The productivity of our modern agriculture is, of course, the wonder of the world. In fact, our agricultural

productivity has been so tremendous that it has caused us to have many, many problems. But most of us have failed to recognize that those very problems grow, in large part, out of that very productivity itself.

Farmers have pretty well learned how to produce, and certainly the food industry has learned how to distribute. Whether that distribution takes place at a reasonable cost is, of course, a matter of keen debate. There are many people who feel very strongly that somewhere in between the farmer and the consumer there is too large a spread. Whether that is true or not, I am not in a position to say and I doubt that any of my colleagues are in a position to say with any degree of assurance. But the fact that there is a large spread is undeniable.

The consumer today buys a dollar's worth of groceries and the producer gets about 38 cents out of that dollar. Back in the fifties, the producer got more than 50 cents of that dollar. Obviously, the spread is growing and it is going to continue to grow.

Mr. GATHINGS. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman.

Mr. GATHINGS. The 38 cents really goes to the farmers and not to the consumers, as the gentleman stated.

Mr. POAGE. I beg pardon. The consumer pays 38 cents out of his dollar to the producer. That is what I should have said. If I said anything else, I was mistaken.

The amount that the producer gets or the percentage that the producer gets is growing smaller and smaller every day. Agriculture is still our biggest industry. It involves the welfare and the employment of more people than any other industry in America. Certainly, the price structure involves every citizen of America because while we may not all buy automobiles and we may not all buy radios, we all do buy food, or somebody gives it to us. So we are all involved in the price structure of agricultural products. We want a distribution system which is as efficient as we can make it. We want that system to operate as efficiently and as cheaply as it is possible for it to operate, in order that the consumer may get food and fiber at reasonable prices.

The resolution undertakes to set up a commission to study those relationships, to give us some definitive answers, to give us something on which we can make plans with the assurance that we know the facts.

The resolution provides for a commission frankly patterned after the Hoover Commission—a bipartisan commission of 15 members, 5 to be selected from the general public by the President, 5 by the Speaker from this House, and 5 from the other body.

We believe that by following this procedure we shall have such congressional representation that we will then know, when we get a report, it is something we can use in the Congress and not merely something we read in the newspapers.

We feel that enough work has been done in the Committee on Agriculture to be certain that such a study is needed. Our staff has prepared a document, which many Members have seen, outlining a rather brief and rather inconclusive study of agricultural prices.

Mr. MONAGAN. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Connecticut.

Mr. MONAGAN. I congratulate the committee for the conception of this commission. I believe it is a wonderful thing and that there is a great demand for it.

One question occurs to me. I notice that in the report there is a reference to beef and bread, and the references so far have been to products which are produced in this country as well as distributed here. I have heard a great deal of talk about the price of coffee and criticism of the price changes. I wonder if it will be a part of the work of the commission to consider products like coffee, not produced in this country but distributed here.

Mr. POAGE. It will be the duty, or at least the function, of the Commission to study the prices of all agricultural products in the distribution system. It is one system, as I view it. We no longer have what was known as a coffeeshop. We use the name, but there is no longer any such place as one which sells only coffee and nothing else.

The great chainstores sell thousands of items in each store, and the price of one of those items vitally affects the prices of the other items.

It is at least our belief that some commodities are used quite often as so-called "loss leaders," whereby, let us say, the stores attract the public into the premises to sell them something else at a profitable price.

I do not believe it would be possible to divorce any particular commodity from the study.

Mr. MONAGAN. I am happy to hear that. I thank the gentleman.

Mr. HOEVEN. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Iowa.

Mr. HOEVEN. The gentleman from Connecticut may be advised that under the general duties of the Commission, as set out in section 4 on page 2 of the bill, there is the following:

The Commission shall study and appraise the marketing structure of the food industry, including the following:

There then are listed some five subjects to be included. Under this general language I assume the Commission would be authorized to study and appraise the marketing structure of every phase of the food industry.

Mr. MONAGAN. I thank the gentleman.

Mr. POAGE. It is quite clear that the basic purpose of this study is to get a clear understanding of how our food distribution system works.

It may not be that there is too much spread. I am not making any charges. It may be that there are not any of our

foods which are overpriced, although we sometimes think they are. It may be that we are getting the very best distribution system in the world. I rather think we have the best system in the world now. However, we do not want to let a \$70 billion business—and I am talking about the whole distribution of food, all the way through—we do not want to let the largest business in the United States simply slip into any kind of errors because we pay no attention to it. In fact, we should give greater study to and have a clearer understanding of the relationship which exists between the producer and the consumer of food than exists in any other business institution in the United States, because it affects more people and involves more money. So the purpose of this resolution is to try to get this out where there will be an intensive and exhaustive study made, where we will have, as soon as the report can be made, real information on which we can act with assurance rather than on the guesswork which has formed the basis of so many of our conclusions in the past.

I think that the resolution is well safeguarded. It provides for a bipartisan Commission representative of the people all over the United States. It certainly provides for adequate representation from the Congress of the United States. It attempts to give to this Commission the tools with which to do the job. It allows the creation of what I believe is an adequate staff to perform the studies that are needed and to present them to the American people. I very much hope that we can adopt this resolution and get this study underway.

Mr. Chairman, I reserve the balance of my time.

(Mr. HOEVEN asked and was given permission to revise and extend his remarks.)

Mr. HOEVEN. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, this bill which establishes a 15-man bipartisan Commission to study food marketing will, I hope, undertake to provide both the public and the Congress with facts. The Commission will be delving into a complex and complicated subject which has previously been examined by many groups, both private and government. This matter has been explored many times during my service on the Committee on Agriculture. We have never been able to find out just who was really "getting the gravy." We are all interested in finding out just who is "getting the gravy" and the Commission may do so.

It is certainly our purpose to prevent a witch hunt or a fishing expedition in this kind of investigation. So I express the hope that the investigation may be objective and that we will try to get at the facts which will be helpful not only to the farmers but also the consuming public. And we want to insure an orderly and thorough study of the long-standing and perplexing question of why the consumer pays more and the farmer receives less. Everyone knows that the farmer today is really in a price-cost squeeze. We all know it and I think we all want to do something about it. The

question is just how we can meet this problem.

The committee has limited the use of the subpoena power to instances where a majority of the Commission authorizes it. I think this is a wholesome provision. It will stop a so-called witch hunt or fishing expedition which would be detrimental to the entire inquiry. This is a substantial improvement over the original proposal to allow individual members or the staff of the Commission to issue subpoenas on their own initiative. We want to get away from star chamber proceedings, and not to delegate subpoena authority to an individual member of the Commission or to the staff of the Commission. So this added protection makes it a better bill.

Another committee amendment requires the Commission to file its report within 1 year. It also provides for interim reports which may be filed by the Commission from time to time.

Section 6(e) of the bill allows the Commission to exist for 90 days beyond July 1, 1965, so its life would extend for approximately 15 months from now. The original version provided for a final report by July 1, 1966. We have amended the bill so as to make it read July 1, 1965. It seems to me that this committee amendment is worthwhile. Whatever job is to be done certainly can be done within a year. The great bulk of the statistical and professional materials that will be needed is already published and prepared.

The Department of Agriculture and the respective land-grant colleges have a lot of this information on hand.

And, so, within a period of 1 year, most certainly, the Commission can devote itself to the task, already having acquired a lot of information which we will not have to duplicate.

Furthermore, the incentive of a time deadline will expedite and give a needed sense of urgency for the Commission to complete its task as quickly and as expeditiously as possible.

The committee has also reduced the authorized amount of funds that can be appropriated from \$2.5 million to \$1.5 million. The Senate bill provides for an authorization of \$2.5 million over a period of 2 years. The House bill provides for an authorization of \$1.5 million for approximately this 15-month period to which I have referred.

In my opinion this amount of \$1.5 million is still excessive. At the appropriate time during the discussion of this bill I intend to offer the same amendment which I offered in the Committee on Agriculture, to reduce the authorization to \$500,000. My amendment failed in the committee on a 16 to 16 tie vote, after one member of the committee changed his vote so the original amendment prevailed. One of the reasons why I propose this amendment is so that the conferees on the part of the House will be in a position to do a little better bargaining.

Mr. Chairman, it seems to me that if we adopt the amendment which I propose to cut this to \$500,000, then we will be in a very good position to bargain with the other body and come up with

a reasonable figure which in my judgment will be sufficient to carry on the work over the period of the next 15 months.

Another committee amendment which improves this legislation is the one which directs the Commission to make findings and conclusions only. The original bill provided that the Commission should make recommendations to the Congress and to the President.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. HOEVEN. Mr. Chairman, I yield myself an additional 5 minutes.

The committee has also adopted amendments to require at least three members of the Commission to be present in order to conduct a hearing. This was done in order to prevent one-man star chamber proceedings. Our committee has never approved of one member of the committee conducting a hearing and we do not think it makes sense for one member of the Commission to hold star chamber proceedings and conduct hearings. So, we have provided that at least 3 members of the 15-man Commission shall be present if a hearing is conducted.

Another amendment authorized the Commission to require Government agencies to cooperate with the Commission rather than authorizing these agencies to do so, as was originally proposed. When the Commission wants this information they do not want to simply authorize and leave it up to the whims of any department as to whether or not they shall furnish the information. We direct them to furnish the information when requested.

Finally the committee bill provides that the Executive Director of the Commission will be hired by the full Commission rather than by the Chairman alone.

If this is going to be a bipartisan effort we want to make it bipartisan all the way through. We do not want one individual to be able to hire all the employees of the Commission. The full Commission certainly should have something to say about it.

Furthermore, the amended bill provides that the Executive Director, with the approval of the Chairman, will hire and fire the staff. These changes are a modest improvement, but I submit something else must be done. Therefore, I propose to offer another amendment at the proper time to insure as fully as possible that this Commission and its staff will be as truly bipartisan as possible. If we are going to have a bipartisan Commission let us have a bipartisan approach to the hiring and firing of the employees of the Commission also. I think that makes sense. If we want to do an objective job and keep this investigation out of politics, we must approach this matter on a bipartisan basis all the way through.

Under the bill as now written the executive branch will have direct control of the staffing of this Commission because the Chief Executive will appoint the Chairman of the Commission and the Chairman in turn will appoint the Director. This provision in the bill is un-

desirable in legislation which is designed to create a bipartisan commission. We all realize the political facts of life and know the Commission would include a preponderance of members of the majority party, including staff members.

The minority members of the Commission should be assured of sufficient technical and professional help to prepare and present thorough and accurate dissonants if necessary. Conversely, the members of the Commission who for one reason or another may not subscribe fully to each and every finding and conclusion of the Commission should also have professional and technical assistance available to them.

My amendment is a simple one. I propose merely to provide that the staff selections be left to the Commission rather than to the executive branch through the Chairman and the Executive Director.

In summary, Mr. Chairman, this legislation has a worthy and valuable purpose. I can foresee a significant contribution toward a better understanding of the agricultural-business community if the Commission proceeds with its work in an efficient, expeditious manner. The Committee on Agriculture has adopted several amendments to this bill which improve it substantially over its original form. I propose two more amendments in an effort to further improve the bill. The authorized amount of funds is still excessive, and the staffing procedure needs revision.

I hope that these amendments will receive favorable consideration.

Mr. McLOSKEY. Mr. Chairman, will the gentleman yield?

Mr. HOEVEN. I yield to the gentleman from Illinois.

Mr. McLOSKEY. I thank the gentleman for yielding.

First, I should like to compliment the distinguished gentleman from Iowa for his very fine explanation of this bill, likewise the chairman of the committee for presenting this bill on the floor of the House.

As the gentleman now in the well knows, I come from a district which is largely agricultural. I am certainly in agreement with the statement made by the gentleman from Iowa that those who are engaged in farming at this time have found themselves in a real price squeeze. While I think many of the answers that this Commission may find are already available if we will use them, I am hopeful that this report will be factual, that it will be worth while, and that ultimately from this we will gain enough knowledge which can help the people in the agricultural business.

For this reason I am supporting the bill, and I desire to associate myself with the statement of the gentleman from Iowa [Mr. HOEVEN].

Mr. BETTS. Mr. Chairman, will the gentleman yield?

Mr. HOEVEN. I yield to the gentleman from Ohio.

Mr. BETTS. I would like to inquire of the gentleman if this proposed Commission and its actions would contemplate any effect on meat prices?

Mr. HOEVEN. I think that is included. I called attention to that matter a few moments ago. If the gentleman will refer to page 2 of the bill, section 4, under "duties of the Commission" he will find the following:

The Commission shall study and appraise the marketing structure of the food industry, including the following:

Then it goes on to name five items which may be included. In my judgment section 4 of the bill would include investigation into the matter of meat imports as they reflect on meat prices.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. HOEVEN. I yield to the gentleman from Illinois.

Mr. FINDLEY. I intend to offer an amendment to clarify this joint resolution further. The wording of my amendment will include among the purposes of the Commission to study the effect of imported food on U.S. producers, processors, and consumers. I believe my amendment if accepted will lessen the effect of imported meat.

Mr. HOEVEN. I approve of the gentleman's amendment and expect to support it.

Mr. POAGE. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. ROOSEVELT].

(Mr. ROOSEVELT asked and was given permission to revise and extend his remarks.)

Mr. ROOSEVELT. Mr. Chairman, President Johnson in his farm message to the Congress called for an investigation of the effects of marketing power in food distribution. As you will recall, the President said:

There is one more pressing need if American agriculture is to be strengthened. The recent changes in the marketing structure for distribution of food are as revolutionary as those in production. There are some 200,000 retail grocery stores, but we know that \$1 out of every \$2 spent for groceries goes to fewer than 100 corporate, voluntary, or co-operative chains. Our information about how this greatly increased concentration of power is affecting farmers, handlers, and consumers is inadequate. The implications of other changes that take place as vertical integration and contract farming have not been fully explored. I urge that the Congress establish a bipartisan commission to study and appraise these changes so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibility to consumers.

In response to the President's proposal, the Committee on Agriculture has now placed before us, with its favorable recommendation, House Joint Resolution 977, which was introduced by the chairman of that committee, the most distinguished and able gentleman from North Carolina [Mr. COOLEY]. I have had the honor to join with the gentleman from North Carolina [Mr. COOLEY] in sponsoring a resolution identical to the one presently before us for consideration. I fully concur in the amendments which the committee added after holding hearings and fully considering the matter.

The food industry has a direct bearing on our entire economy and our entire population. The prosperity of our farm

people, the prices paid by consumers, the very existence of hundreds of thousands of small businessmen, the vitality of our entire Nation's economy—each of these is immeasurably affected each day by the workings of the intricate marketing processes which bring food daily to the tables of over 190 million Americans.

As President Johnson has pointed out, recent years have seen great increases in concentration of power within the food sector of our economy. Retail chainstores have proliferated; food manufacturers have diversified and grown to unprecedented sizes; vertical integration has taken place to a degree undreamed of in the past. Retailers have entered into both the processing and production phases of the industry. Processors have entered into marketing. The entire structure of the industry has undergone many transformations as a result of the vast growth in market power of the industry's largest firms.

Far too little is known concerning the effect of this increasing concentration. As the members of the Federal Trade Commission said on December 9 of last year when they appeared before my Small Business Subcommittee on Distribution:

There is a considerable void in our economic intelligence in matters such as vertical integration forward toward the market or backward toward the extracted industry. * * * There are no data on the costs and profits of larger corporations—which would afford intelligent appraisal of the "degree to which marketing or other levels of integrated firms are subsidized by other activities of the firms." No adequate data are available on price trends. * * * Information as to supply squeezes is wholly inadequate. * * * These gaps in our economic intelligence are a major problem. * * * In short, it is the view of the Commission's economic staff that current statistics in this area are inadequate.

The National Commission on Food Marketing which would be established under the provisions of House Joint Resolution 977 presents an opportunity for an intensive study of these problems within the food industry.

One of the areas that would receive prime emphasis of the study to be undertaken by the National Commission on Food Marketing would be the impact of current marketing practices and conditions upon the farm sector of our economy. This is most important. The farm people of our Nation are entitled to a fair return for their labor and their investment. Nothing is so vital to a nation's people as an adequate supply of food. Available evidence indicates that at the present time our farmers are not receiving their fair share of the food dollar.

As a Representative from an urban district, I am naturally concerned with seeing that the consumer gets a square deal. It is hard to understand why food prices continue to increase while simultaneously the farmer receives less for the same goods. If market power is being misused or abused, the consumer is entitled to know this fact. If remedial legislation is necessary, the Congress must have all the facts before we can act intelligently.

Lying between the farmer and the consumer is the entire processing and distributing structure of the food industry. Conditions in this sector of our economy are of concern in terms of their affect on the farmer and the consumer. There is also cause for alarm in the erosion of opportunity for small businessmen resulting from the staggering growth of economic concentration and the resultant increase in raw market power of dominant firms. Nor are all the problems in this industry structural in nature. There are—as the antitrust lawyers put it, behavioral problems as well. On February 3 I placed in the CONGRESSIONAL RECORD a list of 32 recent cases involving the food industry, which are under study by my Small Business Subcommittee on Distribution. These cases are before the courts and the Federal Trade Commission and involve such practices as price fixing, the restricting of competition, coercion, bid rigging, and similar conduct. I do not mean to imply that the majority of companies in this industry have engaged in these practices, nor would I want it thought that the mere filing of a case implies guilt. The number of these cases does, however, strongly suggest that study by the proposed Commission could be most beneficial.

We live in an age of increasing bigness. The June 1 issue of U.S. News & World Report states that in the first 3 months of 1964, 25 percent of all corporate profits went to 8 large companies; 18 percent of all corporate profits went to the 64 next largest companies. The remaining 57 percent of profits were shared by 1.3 million companies. This movement into bigness is growing across the spectrum of our entire economy.

The corner grocery store has long since been a victim of this trend. Many predict that the family farmer will soon join him. Although I do not share their views, the statistics in this respect are not altogether reassuring.

My Small Business Subcommittee on Distribution has done a great deal of work on this problem. During the 86th Congress, we held hearings in Washington, in Denver, Colo., and in San Francisco, Calif. At our San Francisco hearings alone over 2½ tons of documents were studied by the staff of the subcommittee. We found that the fresh fruit and vegetable industry in California was dominated by the representatives of 15 firms known as the California Street Buyers. Small processors of fruit and vegetables were faced with the competitive economic buying power of these 15 who appeared to be operating as a team. The committee was told that when a small processor or seller suggested that the price offered by the buyers was too low—frequently below his costs—he was referred to as "uncooperative." It was shown that an uncooperative seller would not fare very well in his dealings with the team. If he spoke out against the conditions, according to the testimony received by my subcommittee—"he would be punished."

Because of the enormity of the logistics of the problem, and the sharply limited source of the subcommittee, we

found great difficulty in digging out all the facts. Despite the dedicated work of the committee general counsel, Everett McIntyre, now a member of the Federal Trade Commission, we found it impossible to do all that needed to be done.

Time and time again witnesses would come to us informally and tell us what was going on and conclude by saying that they simply could not take the stand and testify to these matters as it would mean bankruptcy for them.

A number of the conditions that we were able to uncover, however, were literally appalling. While many areas enjoyed the benefits of healthy competition we found others in which major chains appeared to be operating under an agreement not to compete, a situation in which each chain would exclusively serve a portion of a city or other major market. The share of the market held by individual firms was, in many areas, found to exceed the national level. For example, we found that 3 major chains operated at that time in 1,713 counties which contained 90.1 percent of all U.S. families accounting for 92.5 percent of total U.S. food store sales. At the national level, these three chains enjoyed 20.4 percent of total U.S. grocery store sales.

It is almost impossible to comprehend the complete disparity between this kind of market power and that possessed by the individual farmer or small food processor who sits across the bargaining table from these large firms.

It is inevitable that such disparity would lead to the kind of unfair practices which we found such as price discrimination and other preferred treatment demanded by large buyers from small sellers.

It is my hope that this House will act favorably upon House Joint Resolution 977 and that there will be appointed to the Commission an objective, impartial group representing the points of view of all the many interests who have so vital a stake in the preservation of competition in the food industry, and the continuance of an adequate supply of food at reasonable prices to our growing population.

Mr. POAGE. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. JOELSON].

(Mr. JOELSON asked and was given permission to revise and extend his remarks.)

Mr. JOELSON. Mr. Chairman, I am pleased to support the bill under consideration as I feel it to be in the best interest of consumers.

We constantly hear pleas for help from representatives of farming areas who tell us that farmers are in trouble economically and that farm income is off. Yet the cost of living indexes regularly indicate a rise in the price of food.

I certainly hope that full investigation will be made of the strange paradox and puzzling contradiction whereby farmers call for help from their Government while consumers are paying skyrocketing prices in order to feed their families adequately.

It is high time that all the facts are laid on the kitchen table. The public

should know if it is the victim of unconscionable profiteering somewhere along the line.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. LATTI].

(Mr. LATTI asked and was given permission to revise and extend his remarks.)

Mr. LATTI. Mr. Chairman, I approve of the objectives of this study as proposed in House Joint Resolution 977. In fact, a couple of years ago when the price of hogs fell to \$11 a hundredweight and pork chops were selling in stores at 89 cents a pound, I proposed that our committee make an investigation into this price differential. I thought our committee could have done a very good job at that time and that that investigation should have been carried out. Likewise, I think our Agriculture Committee could do a very good job in investigating this matter today. I proposed the same in the committee and it was rejected. Having been voted down, I go along with the objectives of this study by an independent commission. It may be that it will have more time to study this matter, which will consume a considerable amount of time, than our Agriculture Committee will have.

I agree that this should be a bipartisan commission and I hope when the time comes for the Commission to hire a staff, it will abide by the bipartisan nature as set forth on page 1 of the resolution.

I think it is most necessary that this Commission get to work immediately. I just read a release by UPI that our farm income had hit the lowest point in 7 years. Certainly, as has been pointed out here today already, the farmer is not getting very much of the consumer's dollar that is spent on food. We should find out why.

The UPI release read as follows:

FARM INCOME NOW LOWEST IN 7 YEARS

WASHINGTON.—Prices farmers received for crops and livestock fell two-fifths of 1 percent during the month ending May 15, the Agriculture Department reported Thursday.

This decline left farm prices 2 percent below a year ago, and the lowest at mid-May since 1957.

Cattle prices, which have become a major economic headache, declined again during the month and were at the lowest level since October 1957.

The Department's monthly farm price report also showed that the cost of production and living supplies purchased by farmers fell one-third of 1 percent from April's record high, primarily because of lower prices for feeder livestock and livestock feed. Farm costs were one-third of 1 percent above the level a year ago.

A comparison of farm commodity prices and farmers' costs that showed prices in the month ending May 15 averaged 75 percent of parity. This was unchanged from the mid-April figure, the lowest in many years, and compared with 77 percent in mid-May a year ago.

Parity is the price needed to put the value of products sold by farmers on a theoretically fair level in comparison with the cost of things they buy. The parity figures do not, however, measure such farm income supplements as direct Federal payments to farmers or the cashable marketing certificates which some wheat producers will get later this year.

The Department said lower prices for cattle, wholesale milk, and eggs were mainly responsible for the decrease in the index of prices received by farmers during the month. These declines were partially offset by higher prices for potatoes, apples, and hogs.

With this lower farm income being cited by the Department of Agriculture, I think it is most timely that this Commission be created and that it get down to work immediately.

I am glad that the committee saw fit to recommend an amendment to speed up the report of this committee to July 1, 1965, rather than to have the committee report on July 1, 1966.

I am in agreement with the amendment recommended by our committee that three members of the Commission may conduct hearings rather than to have only one member conducting these hearings.

However, I disagree with the amount of money authorized for this Commission. Certainly, \$1,500,000 is a lot of money to be spent by a commission in 1 year's time. According to the Department of Agriculture, there will be 74 positions which will cost about \$740,000 in this Commission's setup. By comparison, our Committee on Agriculture has a budget of \$150,000. We only have 12 employees including the typists and clerks employed by our committee. This Commission wants 74. I think this appropriation is too much. I think the job could be done with the cooperation of the Congress and with the Department of Agriculture for a much lesser sum, and I shall support an amendment to reduce the amount from \$1,500,000 to \$500,000.

Mr. POAGE. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. ROSENTHAL].

(Mr. ROSENTHAL asked and was given permission to revise and extend his remarks.)

Mr. ROSENTHAL. Mr. Chairman, I rise in support of the legislation and urge its adoption. As a cosponsor of the bill to create a National Commission on Food Marketing, I would like to join with my colleagues in asking the House to support this necessary legislation.

During the past two decades there has been a tremendous growth and development within the marketing structure of the food industry, and I firmly believe that now is the time to conduct a thorough study of the changes which have taken place.

On April 5 of this year the Committee on Agriculture, of which I am a member, issued a report entitled "Food Costs—Farm Prices," which pointed to the ever widening spread between the prices the farmer receives and what the consumer pays for food. There have been many voices raised within and without the food and farm industries seeking an explanation of this ever-widening gulf. The development in the farm and food industries raises many questions. If the family farm is disappearing, as many allege, has not the family grocery store also seen its demise? What has replaced this grocery store? Is there a small size wholesaler still in existence; if not, who or what has replaced him? Is there a

family processor still serving the community; and if not, who has replaced him? If, as reported, in the last 10 years more than 130,000 food retailers closed their doors, who has replaced them? If, as reported, the largest 10 percent of the retail outlets do more than two-thirds of the dollar sales, is there a benefit to the farmer, the consumer or anyone? Would it be wise to reverse any of these changes, or is it in the interest of all Americans to stimulate this type of growth? Has the battle of the brands and the concomitant advertising costs been borne by the American consumer and his ally, the former family farmer?

In 1963 consumers paid \$67 billion for food produced on the farm, and from that sum farmers received \$21.3 billion. Is there an adequate explanation from someone as to where the \$45.7 billion went? In the past 10 years the price of bread to the housewife rose 21.8 percent. The amount the farmer received was down 2.2 percent. In the same 10 years, prices on milk and other dairy products were up 7.3 percent for the housewife, but down 5.2 percent for the farmer; meat products were up 5.8 percent for the housewife, but down 15.2 percent for the farmer; shortening was up 1.3 percent for the housewife, but down 25 percent for the farmer; and other food products cost the consuming public an additional 9.7 percent, while the farmer received 5.3 percent less.

Growth of American industries and business is generally regarded as good and healthy for the economy, and thus for all Americans. But one sometimes wonders if that growth is at the expense of other participants in our society.

Safeway Stores Inc., has increased sales from \$1,800 million in 1954 to \$2,650 million in 1963; Grand Union has increased sales from \$201 million in 1953 to \$630 million in 1962; Great Atlantic & Pacific has increased sales from \$3,989 million in 1953 to \$5,310 million in 1962; the Kroger Co. has increased sales from \$1,108 million in 1954 to \$2,102 million in 1963.

It may well be that each of these companies both earned and deserved their increased capacity to serve the American housewife. We know that the shockwaves emanating from their growth have disturbed previously established patterns in the processing, packing, and transportation of food. But we do not know if these changing patterns have affected the farmer and the consumer either favorably or adversely. It is important that we understand these patterns better.

Our population is increasing rapidly and there will continue to be, and should be, greater production and consumption of food in America. The marketing structure and distribution of this No. 1 product deserve public attention and public scrutiny because, in the last analysis, it is the public that has the great and paramount interest. A comprehensive study, impartial in nature, by responsible citizens, including Members of Congress, would generate great interest in this subject and would unquestionably permit greater public understanding of a highly involved but useful segment of the American private enterprise system. It

may be that the Commission would find that the food industry has rendered commendable, useful service and that there is neither room for improvement nor reason for modification. On the other hand, the Commission may find that the system which brings food from the farm to the dinner table requires the attention of this lawmaking body.

All Americans—farmer and consumer alike—have a right to know if their efforts and their money are being appropriately used in the free marketplace, within the confines of the free enterprise system. Most retailers welcome this inquiry so that they will have an opportunity to present their case to the American public.

It is obvious, I believe, that the American people want their national food policy based upon the production and the utilization of abundance. They are willing to pay for this kind of a food policy. Yet they have the right to know if they are getting what they pay for—whether their expenditures are being directed to the right places for the right reasons—and if there is an equitable sharing of privileges and responsibility all along the line in food production, processing, distribution and sales.

The proposed National Commission on Food Marketing, representing the American people, can make a substantial and constructive contribution to the public's right to know, and I am hopeful it will be launched on this task with all possible speed.

Mr. POAGE. Mr. Chairman, I yield to the gentleman from Texas [Mr. MAHON].

Mr. MAHON. Mr. Chairman, this study will cost money, but in my judgment it will be money well spent. I wish to be recorded as strongly supporting this legislation. This study could mean much to both producers and consumers.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. QUIE].

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. QUIE. Mr. Chairman, I rise in support of House Joint Resolution 977.

Even though there have been a number of studies previously conducted, in the Department of Agriculture and elsewhere, with respect to the cost of food, from its production on the farm to the processing and marketing of that food, I believe this Commission can bring all the studies together and make a report which will have a meaningful effect.

There have been commissions specially set up before for agriculture. There was a Presidential commission set up in 1908 which went a long way toward enabling us to develop such activities as the Extension Service and many other activities that have been beneficial to agriculture.

Even though food is a bargain, people are asking today why food costs so much at the retail store and why the farmer is receiving so little. Especially now with beef prices down for the producer to drastically low levels, it is a question in the marketing of beef.

As I talk with my farmer friends in Minnesota, I find many of them point their fingers at imports, which we in the Congress at least have been talking about doing something about, although this Congress has done nothing to date. They talk about the problems caused by the increase in production of beef in this country. Many are concerned about the effects on the market which the food chains and packers have had because of the feeding of livestock themselves.

There are some interesting figures in this regard. The USDA has provided them for the record. I should like to cite them.

The food chains in 1957 fed out 25,600 cattle, and in 1962 it was the same amount. This was one-tenth of 1 percent of all the commercial slaughter in this country. So during that period of time, from 1957 to 1962, this has been a relatively steady amount, approximately one-tenth of 1 percent throughout the entire period.

The 10 major packers have shown an increase. In 1957 the percentage of commercial slaughter of cattle fed out by the 10 major packers was six-tenths of 1 percent, and in 1962 it was 1.1 percent. It can be seen that this was about double, though not quite double—157,100 in 1957 and 296,400 in 1962.

There were other packers who fed out 1.4 percent of all commercial slaughter in 1957, and this increased to 2.4 percent in 1962.

The total for all the packers and the chainstores in 1957 was 2.1 percent of all commercial slaughter, and this increased to 3.6 percent in 1962.

This may not seem like a large amount. However, what appears to be, with respect to the total, a slight change in production pattern in our country, may be having quite a substantial effect, especially in some local communities where the feeding by chains or packers might be conducted on a greater scale than in other communities, to affect prices there.

There are adjustments going on in the food industry. Some appear small in percentage, but have a drastic effect on the farmers or producers of the food.

Many of these changes have also had the effect that the consumer has seen no sign of decreased farm prices. The changes that have come along, such as built-in maid service and other factors such as this, have had a very substantial effect on increasing the price to the consumer. I think this Commission will lay to rest many of the suspicions that have been aired throughout this period of time and it will give an authenticity to the studies, many of which have been made privately, and by the Department of Agriculture. I would have preferred that fewer Members of Congress would have served on this Commission, although I do not plan to offer an amendment to that effect. I say this because I think five Members of the House and five of the Senate will have a difficult time in taking the time to make this study. Due to that fact, we will have to depend a great deal on the professional staff they will have hired. I think that it would have been better had there been

Livestock fed by meatpackers for 30 days or more with comparisons, 1957-62¹

Type of packer and year	Cattle			Calves			Cattle and calves	
	Number of firms	Thousand head	Percent of commercial slaughter	Number of firms	Thousand head	Percent of commercial slaughter	Percent of fed marketings	
							13 States ²	28 States ³
10 major packers:								
1957.....	8	157.1	0.6	2	1.9	(4)	1.7	-----
1958.....	7	208.2	.9	3	9.4	0.1	2.2	-----
1959.....	6	144.5	.6	2	13.6	.2	1.5	-----
1960.....	8	239.8	1.0	3	22.7	.3	2.4	-----
1961.....	8	294.5	1.2	2	19.1	.3	2.6	-----
1962.....	8	296.4	1.1	2	19.8	.3	2.6	2.2
Retail food chains:								
1957.....	3	25.6	.1	-----	-----	-----	.3	-----
1958.....	3	19.5	.1	-----	-----	-----	.2	-----
1959.....	3	30.0	.1	1	.7	(4)	.3	-----
1960.....	4	27.1	.1	1	.1	(4)	.3	-----
1961.....	4	39.0	.2	-----	-----	-----	.3	-----
1962.....	2	25.5	.1	-----	-----	-----	.2	.2
Other packers:								
1957.....	135	361.6	1.4	25	11.4	.1	4.0	-----
1958.....	161	461.0	2.0	36	31.0	.3	5.1	-----
1959.....	143	418.6	1.8	31	9.7	.1	4.1	-----
1960.....	148	548.3	2.2	26	18.7	.2	5.1	-----
1961.....	191	532.0	2.1	39	34.6	.5	4.8	-----
1962.....	197	614.4	2.4	47	25.3	.3	5.2	4.5
Total:								
1957.....	146	544.3	2.1	27	13.3	.1	5.9	-----
1958.....	171	688.7	2.9	39	40.4	.4	7.5	-----
1959.....	152	593.0	2.6	34	24.0	.3	5.9	-----
1960.....	160	815.2	3.2	30	41.5	.5	7.8	-----
1961.....	203	865.5	3.4	41	53.7	.7	7.7	-----
1962.....	207	936.3	3.6	49	45.1	.6	8.0	6.9

¹ Summarized from annual reports of packers filed with the Packers and Stockyards Division, AMS. Livestock fed separately by owners, directors, officers, and employees of packer or non-reporting subsidiaries and affiliates are not included.

² The 13-State fed cattle marketing data when published by the Statistical Reporting Service, USDA, included Ohio, Indiana, Illinois, Minnesota, Iowa, Missouri, South Dakota, Nebraska, Kansas, Texas, Colorado, Arizona, and California.

³ Prior to 1960, the 28-State fed cattle marketing data were not tabulated by the Statistical Reporting Service. Includes 13 States listed in footnote 2 and Pennsylvania, Michigan, Wisconsin, North Dakota, Georgia, Alabama, Oklahoma, Montana, Idaho, Utah, Wyoming, New Mexico, Nevada, Washington, and Oregon.

⁴ Less than 0.05 percent.

more lay people on that Commission; that is, people who have had some related experience in industry and production in order that they might have a background of understanding of the problems in this field. However, I do not think it is serious enough so that we ought to go through with an amendment.

Therefore, Mr. Chairman, I support House Joint Resolution 977 as it is.

Mr. Chairman, I yield back the balance of my time.

Mr. POAGE. Mr. Chairman, I yield such time as she may desire to the gentlewoman from Missouri [Mrs. SULLIVAN].

(Mrs. SULLIVAN asked and was given permission to revise and extend her remarks.)

Mrs. SULLIVAN. Mr. Chairman, I congratulate the chairman of the Committee on Agriculture, the gentleman from North Carolina [Mr. COOLEY] for the prompt and effective manner in which he and his committee have acted on House Joint Resolution 977 to establish a National Commission on Food Marketing. I am glad to take this opportunity to express my appreciation for the cooperation he has given to the President and to the consumers of this country, as well as to the farmers, in seeking answers in this fashion to the complex problems resulting from the changing pattern of food marketing in this country.

As chairman of the Subcommittee on Consumer Affairs of the Committee on Banking and Currency, I have become familiar with many of these problems and have been struck by the bowling-pin

effect of everything which happens in the marketing of food.

By "bowling-pin effect" I mean that each segment of the food industry is pounded and churned around in succession by anything affecting a particular segment. If crop damage occurs, prices immediately rise from processor to wholesaler to retailer to consumer, even though the damage may have been to a crop to be harvested sometime in the future. On the other hand, when there are surpluses, the consequences down the line are much slower in being felt, but as price cutting finally takes place, it also acts like a bowling ball crashing into the midst of the 10 pins.

Now these things are not necessarily unusual in any field where supply and demand are the controlling factors, but in the food industry, much has changed in recent years and the patterns are not nearly as clear cut as they used to be. Marketing and pricing policies vary widely among stores of the same chains across the country; for instance, here in Washington, with so many major food chains competing very vigorously for customers, I understand the average markup is much lower than in the country generally, and frequently advertised prices for chainstore items here are much lower than the prices the same chains advertise the same items for elsewhere.

MUCH BROADER THAN PROBLEMS OF LIVESTOCK INDUSTRY

I am aware of the fact that much of the pressure for the investigation this resolution would authorize came originally from the beef raisers seeking answers to the questions they raised as

to why retail prices of beef did not in many instances reflect the lower prices received by the livestock raisers. But I am glad that in the formation of the plans for an investigation, the administration and the Committee on Agriculture broadened the scope to include all aspects of food marketing, rather than this one narrow issue of livestock prices as compared to retail beef prices.

On the whole, the American consumer eats better, and at the cost of a lower percentage of total income, than any other group of consumers in the world. For this we can thank our farmers, the food industry, and Government—for Government has for many years played a major role in the assurance of abundance and in the assurance of quality and of the wholesomeness of our food. Of course much remains to be done in the field of consumer protection insofar as food wholesomeness is concerned—new problems arise all of the time as a result of technological changes, and people still get poisoned. But on the whole, our food is nutritious, appetizing, high in quality, and generally reasonable in price.

For the average-income family, therefore, a trip to the supermarket means stocking up not only with the usual staple foods and meats but with all sorts of luxury items our parents never dreamed of being able to afford as a frequent thing, or even as a rare treat. The low-income family, on the other hand, finds a trip to the grocery store a painful experience, for spread before it are the most attractive of food products which it just cannot afford.

FOOD STAMP PROGRAM HELPS TO FILL GAP

Worse, it is often difficult for the very-low-income family to save money by buying foods which do not reflect the so-called "built-in maid service" the industry boasts of providing.

The food stamp program, in those areas of the country where it is now operating on a pilot basis, has provided these families for the first time with an opportunity to share in the great abundance of food in this country, and to approximate the American standard of living at the dinner table. Subsidizing the food purchases of low-income families is a far more efficient and even less costly—or no more costly—way of helping the farmer to reduce surpluses than handing out unappetizing surplus food packages to the needy at monthly intervals, such as is being done in most areas of the country where there are substantial numbers of needy people. I think, whatever this proposed commission finds or reports about food marketing, the need for the food stamp program will remain.

I believe that the proposed commission can perform a great service to the American public, and particularly to consumers, by analyzing the food industry as it now operates; by looking ahead to the probable changes likely to materialize in food marketing; by studying the interrelationships of the various segments of the industry to determine if the farmer, the processor, the wholesaler, and the retailer battle under relatively fair conditions for a fair share of the consumer dollar, and to determine if the

vaunted power of the consumer is really effective in enabling him to buy what he wants rather than what the industry wants to sell; and, also, and this is most important, analyzing the effectiveness of the services and regulatory activities of the Federal Government in this field.

I support the resolution and urge its adoption.

Mr. POAGE. Mr. Chairman, I yield such time as he may desire to the gentleman from Wisconsin [Mr. KASTENMEIER].

(Mr. KASTENMEIER asked and was given permission to revise and extend his remarks.)

Mr. KASTENMEIER. Mr. Chairman, as a cosponsor of House Joint Resolution 977 and the sponsor of an earlier, similar measure, House Joint Resolution 974, I want to commend the committee and Chairman COOLEY for their prompt and constructive action in bringing the National Commission on Food Marketing to an early House vote. The committee's amendment accelerating the Commission report to July 1, 1965, indicates how widespread the feeling is that there is little time to spare in unearthing essential and presently unknown information about the chain of commerce which makes up our agri-business complex. And, as the House and Senate hearings revealed, this sense of interest and urgency is shared by virtually all those involved, including the major farm organizations, consumer representatives, food processors, independent retailers, and the major spokesmen for the supermarket industry.

Mr. Chairman, the purpose of the National Commission is to investigate a miracle—the miracle of America's food revolution which has made this the best and most cheaply fed industrial nation in the world. Like so many miracles, this one is surrounded by certain mysteries and, increasingly, by growing doubts. These doubts center on mounting evidence that farmers and consumers as well as many processors and retailers may not be participating equitably in the present or future benefits of the food revolution.

For example, in the period 1947-49 to 1963, the consumer price index for all commodities rose 31 percent, while the marketing margin of the average consumer food basket rose by a substantially higher rate—44 percent. During this time, prices received by farmers fell over 12 percent. Some part of the sharp increase in market basket prices is certainly due to the rises in labor, packaging, and distribution costs, but the fact remains that the chain food stores are now enjoying net returns on stockholder's equity which are almost 20-percent higher than the comparable figure for department and specialty stores, according to the latest edition of the "Marketing and Transportation Situation" published by the Department of Agriculture.

Mr. Chairman, figures such as these, and others showing the growing concentration of power within the food industry, indicate the problem, but they do not really describe it. What we need to know, and what the Commission would attempt to discover, is the way in which our food industry—America's largest business—got the way it is, and whether

the industry's pattern of growth is or will continue to be a rational and beneficial one.

To do this, the Commission will have to do more than take a sequence of still pictures of the industry. It will not be enough to compile a series of graphs and charts showing the decline in the number of independent retailers, or the decline in the number of buyers who make the decisions which control a specified percentage of food purchases throughout the country.

An essential aspect of the Commission's duties will be an examination of the actual marketing behavior in the agri-business complex, to determine what factors have contributed to its present structure, and what the future result of these practices is likely to be.

Thus, as an example of a pertinent subject of inquiry, the Commission might want to determine whether large farmers, processors, or retail chains enjoyed competitive advantages, for any reason, in seeking credit resources; in acquiring equipment, farm commodities, or other goods; in getting promotional space from their buyers; or in receiving transportation rate differentials. In short, the Commission would be authorized to inquire into competitive practices and terms of trade both within the food industry, and between the food industry and its suppliers. This is clearly the intention of section 4 of the resolution, but I think it should be spelled out for the record to avoid possible confusion at a later time.

Mr. Chairman, It would be impossible to overemphasize the significance of the work which this Commission would perform. The structure and organization of the American economy have experienced dramatic changes since World War II, perhaps nowhere more far reaching than in the so-called agribusiness complex of farming, food processing, and food distribution. I suspect most Americans have not been aware of the magnitude of these changes nor of their potential implications for all Americans. In our preoccupation with the pressing problems of the day, we may be guilty of neglecting the competitive health of America's oldest, largest, and, in many respects, most important industry.

Our agricultural complex eclipses nearly all others. In 1963, the total assets of America's several million farms amounted to \$214 billion. This was about nine times greater than the total assets of all corporations manufacturing motor vehicles and equipment and about seven times greater than the total assets of all the corporations in the primary metals industries. As a matter of fact, the total assets of American farms exceed the combined assets of the country's 500 largest manufacturing corporations.

Agriculture is only the first step in the agribusiness complex. There are about 30,000 manufacturers of food and related products. In 1962 these concerns had combined assets of about \$26 billion and employed 1,681,000 persons.

Finally, in 1963 there were 321,000 retail food stores, which employed well over 1 million persons. Currently, sales of retail food stores are running at an annual rate of near \$60 billion; this is

greater than the sales of any other American industry.

Radical changes are occurring in the competitive organization and behavior of the food industries. Two industries with which I am particularly familiar are the dairy and vegetable canning industries. I suspect recent happenings in these fields mirror those occurring in many other segments of food processing. Consider these facts. Between 1950-51 and 1961-62 the total number of fluid milk plants in the United States declined from 16,089 to 7,176, or by over one-half. There also has been a substantial decline in the number of ice cream plants since 1950. Whereas in 1950-51 there were 4,202 ice cream plants in the United States, by 1961-62 this number had declined to 3,226. A recent study conducted by the University of Wisconsin indicates that in Wisconsin the number of dairy plants manufacturing various types of products experienced a similarly drastic decline. For example there were only 67 percent as many butter plants in 1958 as in 1951. The comparable percentages for other important products were as follows: cottage cheese 50 percent; ice cream 82.6 percent; milk distribution 47.7 percent; and cheese factories 68.9 percent.

The fruit and vegetable canning industry has experienced a similar transformation in the past few decades. Between 1947 and 1958, the number of fruit and vegetable canning plants in the United States dropped from 3,007 to 2,337. In my home State of Wisconsin the decline has been similarly precipitous. Whereas in 1945 there were 138 canners in Wisconsin, by 1963 the number of canners declined to 69.

It is clear from these figures that small independent businesses in the dairy and canning industries have experienced an extremely high mortality rate in recent years. The economic causes and competitive significance of these changes are by no means clear. But it seems to be conceded by most close observers of the food industries that many changes at the farm and processor levels in the food industries are reactions to changes in the structure of the food retailing segment of the industry. Close competitive interrelationships exist among the various segments of the food complex and competitive behavior at one level necessarily is reflected at other levels. It is, therefore, not surprising that there is a keen interest in the broad structural changes which have occurred at the food retail segment in recent years.

Information concerning the broad structural changes at the retail level are quite well documented. There has been a drastic decline in the number of independent retailers since World War II. For example, between 1948 and 1958 the number of grocery stores declined from about 378,000 to 260,000, or over 10,000 per year. On the other hand, the share of total grocery store sales accounted for by chains with four or more stores increased from about 32 percent in 1945 to about 50 percent in 1963. This increase in market share represents a shift in sales in favor of chains of about \$10 billion, which is larger than the total sales of most other American industries. An-

other important development is the growth of so-called voluntary and co-operative chains of independents. These groups have helped many independent retailers survive and grow by giving them some of the most important advantages of large-scale operations. However, one inevitable effect of such group has been to bring about a further increase in the degree of concentration of buying power which small canners, dairies, and other food processors face in selling their products to food retailers. As President Johnson explained in his agricultural message:

There are some 200,000 retail grocery stores, but we know that \$1 out of every \$2 spent for groceries goes to fewer than 100 corporate, voluntary, or cooperative chains. Our information about how this greatly increased concentration of power is affecting farmers, handlers, and consumers is inadequate.

A recent Federal Trade Commission study also illustrates the high degree of buyer concentration food processors often face when selling in local markets. The FTC analyzed the degree of concentration in 15 cities and found that, on the average, the largest chain retailer or retailer group accounted for 30 percent of all retail sales and that the four largest accounted for about 63 percent of such sales. This illustrates vividly how dairy and other firms selling to retailers in particular metropolitan areas face very few alternatives in the sale of their products.

I have recited these facts to illustrate some of the recent changes that have occurred in the food industry. I am not accusing any segment of this industry of willful wrongdoing. I am well aware that the food industry, and by this I mean all segments of the food industry from the farmer through to the food retailer, have perfected an economic distribution system unparalleled elsewhere in the world. But many important questions are crying for responsible answers. This is not a problem which can be blinked away. More reliable knowledge is needed and this can be accomplished only by a wide-ranging inquiry into recent trends in the food industries, particularly studies of the changing structure and conduct of grocery retailing, and of how and to what degree these changes are being manifested in pressures to change the structure and performance of the overall agribusiness complex. The ultimate purpose of these studies will be to trace the effects of these changes on farmers, food processing and retailing enterprises, and on American consumers.

Much is at stake here. Certainly we cannot afford to ignore the future competitive organization, behavior, and performance of America's largest industry. The National Commission on Food Marketing provides a precedent but unequaled opportunity to understand this industry, and thereby contribute to its future growth as a rational and beneficial leader among other industries in the American economy.

Mr. POAGE. Mr. Chairman, I yield such time as he may desire to the gentleman from Iowa [Mr. SMITH].

Mr. SMITH of Iowa. Mr. Chairman, I want to commend the committee for the

work it has done on this resolution. I think it is important not only to producers and consumers but also to all of the food industry that facts and trends be determined and available. I support the legislation and urge its adoption.

Mr. POAGE. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. VANIK].

Mr. VANIK. Mr. Chairman, I would like to ask the chairman of the committee whether it is intended that this Commission will also investigate the price-fixing activities of organized growers and processors. Yesterday I paid 37 cents for a 4-ounce can of frozen orange juice. I remember paying 12 cents a can for this same product about 4 years ago. While I recognize the effect of frost damage on the citrus crops and the curtailment of production, I also recognize that price levels could be effectively maintained by organizations of growers and processors. Since the production of citrus fruits for concentrates is located pretty much in one section of the country, it is in effect possible for a relatively small group of people to control the market.

Is it contemplated that this Commission will also study the price-fixing activities of such organized groups of processors and producers?

Mr. POAGE. It is contemplated that this Commission will study all of the aspects of pricing of agricultural products all the way from the producer to the consumer and in any segment of agriculture, which would certainly include citrus fruits or any other commodity.

Mr. VANIK. I thank the gentleman.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. FINDLEY].

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Chairman, I introduced House Joint Resolution 1009 which is very similar to the resolution which is now before this body. I believe this proposal is a hopeful step, one which can bear fruit for the farmers and consumers of the United States. One aspect of the resolution which does concern me, however, is the amount of money provided. We ought to realize the practical facts of the present situation. The other body has already passed a resolution providing \$2½ million for this study. The resolution before this body provides \$1½ million. History, if it is any guide, would indicate that out of the conference we will have a conference report between the amount authorized by this body and the \$2½ million provided by the other body. I hope there will be support for reduction in the authorization down to the \$500,000 level.

I hope some of those who feel that \$500,000 may be a little skimpy will still support the move, realizing full well that in negotiations between conferees undoubtedly a figure will be established somewhat between the two levels.

In this connection I also draw the attention of Members of this body to the language on page 12 of the appropriation bill for the Department of Agriculture as it was adopted late last month

by this body. That language reads as follows:

Provided, That not less than \$350,000 of the funds contained in this appropriation shall be available to continue to gather statistics and conduct a special study on the price spread between the farmer and consumer:

This appropriation was for the Economic Research Service, salaries and expenses of the U.S. Department of Agriculture. On the face of it this provides for the next fiscal year an expenditure of \$350,000 to gather statistics and conduct a special study in the very same field with which this proposed Commission would deal. It is my hope that the Appropriations Committee, when the time comes to make an appropriation for this Commission, will remember that it has already provided a minimum \$350,000 to the Economic Research Service; that it will remember that this Commission can make contracts with the Economic Research Service by the language of this resolution and has authority to reimburse any branch of the Federal Government out of the authorized moneys herein named for any services rendered.

It seems to me only commonsense that this \$350,000 already appropriated by this body for this same type of study be a part of the authorization which will eventually be made available to this Commission; and that the sense of this body be that the Economic Research Service will be reimbursed out of this authorization for whatever expenditures it does make.

Finally, Mr. Chairman, I would invite your attention to an amendment which I shall offer to page 3, line 19, to insert the following as a purpose of the Commission to study "the effect of imported food on U.S. processors, producers, and consumers."

The effect of imported meat on the price being received by U.S. livestock producers has been badly neglected. I believe it would be helpful if this Commission would study the situation and bring promptly to light the damaging effect which these imports have had on the livestock producers of America, and thus hopefully lead to remedial action by the administration in the level of meat import quotas it has established with New Zealand, Australia, and Ireland.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Nebraska [Mr. BEERMANN].

(Mr. BEERMANN asked and was given permission to revise and extend his remarks.)

Mr. BEERMANN. Mr. Chairman, I think it is well appreciated by the members of the Committee on Agriculture and the Members of this body that the American farmer today is receiving a mighty small portion of the American food dollar. The reason why he receives such a small share seemingly cannot be arrived at or ascertained easily.

Therefore, Mr. Chairman, I wholeheartedly support the intent and purpose of this bill which is now pending before us. However, I want to voice a few thoughts in reference to it.

First of all, Mr. Chairman, I believe that if this study is going to arrive at

worthwhile conclusions and an unbiased report, it should explore every phase of marketing that adds to the cost which must be passed along to the consumer. In addition, the study should make crystal clear any findings as to inequitable costs. What I have in mind is this committee may encounter a situation where an element in the marketing stream is receiving a disproportionate share of the consumer dollar. If it does, I hope it thoroughly studies these situations.

In addition, I hope it devotes considerable time and study to demand, shipping costs, labor, and local, State, and Federal taxes. When we understand these items fully and their effect on price, we are going to have a much better understanding of why 20-cent beef on the hoof results in 35-cent to \$1.50 beef on the hook, or over the counter. The same information needs to be known for other food items. Lack of knowledge in this field has been extremely harmful to the producer, the farmer, the processors, and for all practical purposes it probably has been harmful also to the marketing segment of the food industry in this country.

Then, I think that if this bill is to be meaningful we should examine perhaps, and make some sort of record here as to its bipartisan requirements. The bill, as stated in the first paragraph, states that it shall be a bipartisan effort. In that light the bill calls for five Members from the House of Representatives, five from the other body, and five to be appointed by the President.

Now, Mr. Chairman, as to the bipartisan appointment of these 15 members, what ratio shall we use? Shall we use the 2-to-1 Democrat-Republican ratio in the other body, or the 3-to-2 Democrat-Republican ratio in the House of Representatives? What ratio will the White House use?

Frankly, Mr. Chairman, if this committee is to be representative of the people, I think a much truer relationship, and one that would reflect the people's political ratio as of the last Presidential election, might be to appoint a committee of eight Democrats and seven Republicans. A committee composed of this ratio comes as close as possible in representing the country.

Mr. Chairman, I believe it is important that we emphasize the true factfinding nature of this committee. It is not a witch hunt. It is not designed to provide a background for preconceived ideas on the American pattern of food marketing. It is not a play to have the Federal Government underwrite the cost of smearing American marketing systems. It should be, as it states, a study to determine facts.

Mr. Chairman, I dislike mentioning some of these things but they have to be mentioned in view of previous assertions made in reference to food marketing and in view of current thought that is prevalent in some quarters. These assertions have to some extent led the American public to believe that our marketing system is a stuffed corporate giant being grossly overfed on profit from the public

as it grinds the farmer under its heel. I do not believe this is the case.

However, I plead no special cause. I believe in the private enterprise marketing system. What I want are the facts to base a decision on. I want all the facts determined without any preconceived ideas. In other words, I want a detailed study made of our marketing system; not by those who may have preconceived ideas but by those who have an open and curious mind.

Here is another point I would like to bring out: We all realize that Members of Congress are busy and have very little free time, if any. They will be able to devote only a limited time to this study. So much of the work and some of the responsibility for the study's objectivity will fall on the staff. In view of this I certainly hope the bill's bipartisan provision extends through the staff, and that it will be composed of people who will come up with factual and unbiased information.

Mr. Chairman, I would like to concur in the remarks of my colleagues as to the effect of meat imports on prices, and their economic effect on the food industry of this country.

This Commission study on food is sorely needed if for no other reason than to show the consuming public that although the average farmer raises food for about 27 people the return for his enterprise is highly inadequate, particularly under federally regulated programs.

It is also needed because it will bring home to the consumer why his access to the most abundant and wholesome supply of food in the world is an enviable position indeed, maintained at a comparatively low cost to him.

With this view in mind and with unanimous consent, I submit an article titled "Who's Making the Money on Your Beef?" from the June issue of the Farm Journal. The author of the article followed fat cattle from the Ted Panning farm in Nebraska to the meat counter in Ohio and his report goes far to enlighten the consumer as to why 20-cent beef on the hoof is 35 cents to \$1.50 beef on the hook, or over the counter.

WHO'S MAKING THE MONEY ON YOUR BEEF?
(By Ovid Bay)

We've just had a big hassle on beef imports; now Congress is about to investigate how the food industry buys and prices food. Farm Journal decided to do some investigating of its own right now, because the Government probe will drag on for months or years. These were the instructions I got: Follow a steer from a feedlot through a packinghouse and into a chainstore right to the meat counter. Tell what happens to the animal and the price every time he changes hands along the way. Find out why steaks from a Choice 1,050- to 1,100-pound steer, which brings 19 to 21 cents per pound at the farm, often sell for over \$1 per pound at the meat counter. See if you can find out how the packer and the chainstore decide what the price of dressed beef will be today and tomorrow. And get going; this is Friday, and we go to press in 12 days.

TOTAL \$215.31 AT TED PANNING FARM

I started on the 240-acre farm of Mr. and Mrs. Ted Panning in Dodge County, Nebr. They grow corn, alfalfa, and soybeans, and raise about 300 hogs a year in addition to feeding cattle.

As we sorted out the top end of 42 Montana yearlings that he bought late last October, Ted explained that he had paid an average of \$24.05 for them at an average weight of 616 pounds—\$148.15 a head. "I don't have accurate feed records," he said. "But I figure the gain cost me about 22 cents per pound, not counting all the overhead."

When Ted's cattle and I hit the Omaha stockyards, it was a rainy, dreary Monday morning, with an estimated 14,000 cattle on hand and a slow market.

After the usual bickering and dickering, Willard Howl, head cattle buyer for Armour & Co., bought 17 of the Panning steers at \$20.50 per hundredweight, with 3 others out at \$19.50. Salesman was Bill Yancey, Bowles Commission Co., Omaha.

The steer I'd picked to follow weighed 1,073 pounds, so at \$20.50 he brought \$219.96. Less marketing costs of \$4.65, he netted Ted \$215.31 at the market. Add the average feeder cost of \$148.15 and cost of gain per steer of \$102.08, and each steer cost Ted \$250.23. So he lost \$34.92 per head on the average.

TOTAL \$240.50 AT THE PACKINGHOUSE

Next, we moved into the Armour packing plant at Omaha. The 17 steers averaged 664 pounds cooler weight for a 61.45 dressing percent.

Nine out of the 17 carcasses met the specifications of the Kroger Co. in Cincinnati, Ohio. Three were too heavy (over 700 pounds), one graded "Good," and four had bruises which discounted the 17 for an average loss of 98 cents per steer to Armour.

The steer I had selected yielded a high-quality, 660-pound carcass. It had about 0.7 inch of fat over the ribeye and graded about middle Choice.

The records in Armour's accounting office at Omaha show that it costs them a total of \$18.46 to process one steer. Labor and fringe benefits account for \$9.50 of this, and the remaining \$8.96 goes for overhead such as buildings, equipment, administration and sales, taxes, etc.

"That \$9.50 per steer looks like too much labor costs," I commented to Ed Clarke, beef plant department manager, as we watched 120 people move about 170 cattle an hour through the killing and dressing line. But Hubert Lockard, who has been working for Armour since 1925 and is president of local 8 of the packinghouse workers union, had a different view of it. We found him splitting steer carcasses with an electric saw. He makes \$3.54 an hour at this, and after 39 years is one of the highest paid men in the plant.

We figured that Lockard is making \$141.60 per week, or \$7,363 a year without any overtime. He admitted that this is more than double what he was getting 10 or 15 years ago, but points out that the 6 men in the line splitting cattle are handling as many cattle as 13 men used to and at a faster clip. That's primarily due to the electric saws and better equipment provided by management and Armour stockholders.

Here's what's happened to Armour's labor costs since 1947:

Wage rates and fringe benefits are up sharply. In 1947, the average common laborer at Armour's plant in Omaha was making \$1.02 an hour. By 1953, the rate for all workers under contracts was up to \$1.63, plus fringe benefits averaging 35 cents an hour, to total \$1.98. By 1963, these figures had climbed to \$2.72 for wages and \$1.12 for fringes to total \$3.84 per hour—an increase of 276 percent in 15 years.

I moved on to the sales department where I found that carcasses like the one I had just left were being sold by the packer at 34 cents a pound.

"How do you really arrive at the price of beef?" I asked Dick Shay, Armour Beef Co., as he and other beef salesmen stayed on the

phones haggling with one buyer after another all day long. "It is sometimes charged that chainstore meat buyers set the price every Tuesday, and you just record the orders as they come in."

This brought him off his chair.

"Chainstore buyers don't call us up and set the price on anything," Shay exclaimed. "You see us here on the phones talking to meat buyers all over the country—big ones and little ones—us trying to get the last fraction of a cent and them trying to pay the least possible."

I watched and listened as Shay called prospective customers, and it was a two-way street so far as I could tell. He was initiating most of the calls, but there was a lot of beef to sell that day. When a store is short of its needs, Shay gets some calls from meat buyers. Even so, it's a matter of dickering, not dictation, Shay says. For instance, here's how we got 34 cents for these carcasses today.

"On checking around, we found that the dressed beef market was sluggish on the east coast and we still have to keep on selling; the run of fat cattle continues to include large numbers too heavy for most of the store buyers; and the dressed beef market on Choice 600- to 700-pound carcasses closed at 34 to 34½ cents in Chicago yesterday," he said. "In Omaha, we average about one-half below Chicago (freight differential), so I figure 34 cents is all I can get for these carcasses today. I hope tomorrow will be higher."

TOTAL \$301.11 AT THE CHAINSTORE

We moved on 931 miles to Kroger's meat warehouse in Cincinnati. It supplies 73 stores in the area with carcass beef. Here the carcass went into Kroger's tenderay process which tenderizes the meat through controlled temperature and humidity over about 44 hours. The shrink in transit and in tenderizing brought the weight down to 656 pounds.

Then I followed the carcass out to Kroger's Hyde Park Plaza retail store. Kroger cuts their beef at the stores.

"It's the waste fat and bone, and the processing cost of beef that kills us," said Joel Greenisen, as we started cutting up the carcass. "Beef takes more labor per pound than any other meat to prepare for the meat counter. Poultry ranks second and pork third."

I saw what he meant about waste fat and bone, as I watched them separate and weigh 124 pounds of fat, 57 pounds of bone and 4 pounds of waste. And 4 pounds of "cutting shrink," and you get 189 pounds—with a total value of only \$3.06—off our 656-pound carcass. You have to see it to believe it.

This left 467 pounds to sell—only 43.5 percent of the 1,073-pound steer ended up as beef over the counter. (Just 16.6 percent of the 656 pounds was steak.)

The meat department in the Hyde Park Plaza store is staffed by seven people and can process about 20 sides of beef in 8 hours, along with pork and broilers.

I pointed out to Dick Federie, head of the department, that his meatcutters were getting a wage increase of \$4 a week effective May 5—at the very time cattle feeders were taking heavy losses.

"Yes, and that will bring them up to \$3 an hour, \$120.60 a week, or \$6,271 a year," replied. "Is that too much for a man with a family and city living expenses, trying to own a home and send his children to college? No one suggested an increase for meatcutters when cattle went to 30 cents a pound."

On checking, I found this history on wages of meatcutters:

In 1949, \$1.27 per hour for a 48-hour week, fringes worth 13 cents an hour; in 1959, \$2.39 per hour, 40-hour week, fringes worth 67 cents; in 1964, \$3 per hour, 40-hour week,

fringes worth exactly \$1 per hour. And Kroger has a profit-sharing plan that can sometimes amount to as much as 5 percent of an employee's salary.

Kroger records show that it costs them a total of \$10.44 per hundredweight to process and sell beef, or \$68.48 for this carcass. Add the \$224.40 Kroger paid Armour, the \$18.56 for moving the carcass to the warehouse and the store, and the \$68.48 for all processing and overhead and we get \$311.44 total cost.

So, taking the Kroger list for regular prices, our 467 pounds of meat plus the fat (2 cents) and bone (1 cent per pound) would have a total return of \$375.54. Their price list for sales reduces the total return to \$269.22. If they sell 70 percent of our carcass on sale and 30 percent at regular prices, total return is \$301.11. With total costs of \$311.44, that means a loss of \$10.33.

They'd make a profit of \$10.94 if they sold 50 percent on sale and 50 percent at regular prices but wouldn't move as much volume.

"We're now selling about 70 percent of our beef tonnage at special sale prices which run 3 or 4 days a week instead of just weekends," stresses Robert Braunschweig, who is in charge of all meat merchandising for Kroger. "Only 30 percent goes at regular prices now, but it used to be about 50 percent."

"Why sell so much beef on sales?" I asked. "In response to the heavy oversupply of beef, we moved 27.3 percent more beef through all our stores in 1963 than we did in 1962," stressed Braunschweig. "The only way we've found to get people to pick up that much beef is to feature beef more often—in big ads and at lower prices."

Price, of course, is a big factor. And it's been dropping steadily. Kroger averaged 55.99 cents for every pound of beef it sold in 1962, 52.04 cents in 1963 and 48.55 for the first 4 months of this year.

At Chicago, Choice steers on the hoof have dropped from an average \$27.67 in 1962 to \$23.96 in 1963 and off to \$21.63 to May 1 this year.

Over this 28-month period, the average Choice steer has dropped about \$6 per hundredweight on the hoof; the carcass, at retail, about \$7.50.

To say the least, the business of processing and selling beef is a complicated one. In reporting the various steps along the way, I tried to make an honest appraisal for you after looking at all their records.

At any rate, looking back over the whole journey from Ted Panning's place in Nebraska to the retail meat counter in Cincinnati, it seemed to me that everybody is making a little money or losing less than Ted. And that the chief beneficiary, at Ted's expense, is the consumer.

The spread between feedlot and consumer was \$81—Here's where it went—Box score on this steer

Feeder:	
Ted Panning sold 1,073 pounds at 20½ cents.....	\$219.96
Less trucking, marketing costs....	4.65
Total.....	215.31
Cost as feeder \$148.15 plus feed cost of \$102.08.....	250.23
Loss.....	34.92
Packer:	
Cost to Armour & Co., Omaha....	219.96
Total labor and overhead in Omaha plant.....	18.46
Total cost.....	238.42
Sale of 660-pound carcass at 34 cents to Kroger.....	224.40
Value of byproducts and hide.....	16.10
Total return.....	240.50
Net return.....	2.08

The spread between feedlot and consumer was \$81—Here's where it went—Box score on this steer—Continued

Food chain:	
Cost of carcass to Kroger, Cincinnati.....	\$224.40
Freight to Cincinnati and branch store.....	18.56
All costs of processing at \$10.44 per hundredweight.....	68.48
Total cost.....	311.44
Sale value, 70 percent at "sale," 30 percent "regular".....	301.11
Loss.....	10.33

If 50 percent of carcass moved at "sale" price, 50 percent "regular," return would be \$322.38, or a profit of \$10.94.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri [Mr. HALL].

Mr. HALL. Mr. Chairman, I appreciate this time as a nonmember of the Committee on Agriculture, but as a Representative of a proud area of small family farms.

I generally do not favor additional study groups, but believe the National Commission on Food Marketing, which would be created by passage of the bill, House Joint Resolution 977, before this House today, can and will make a valuable contribution. It should objectively ferret out answers to questions that plague the operators of both large and family-sized farms in America.

In southwest Missouri, the average dairy farmer receives a price for his milk that does not come close to the cost of producing that milk as determined by the U.S. Department of Agriculture, which sets parity prices. Yet by the time that milk has been transported from his farm, processed, taxed, packaged, distributed, and sold at the retail level, it has multiplied in price. After that milk leaves the farmer's barn or "parlor," everyone it touches along the way is doing pretty well; the truckdriver, the operator, and employees of the processing plant, the retailer, and his employees; and most certainly the government at all levels, local, State, and National, who derive tax revenue each step along the way by direct or indirect means.

The middlemen are doing reasonably well. Even the Government price structure in Federal milk marketing order areas, seems to assure that everyone along the way will make a reasonable living; everyone, that is, except the farmer whose long hours of labor, investment, sweat, and skill—along with a little help from the cow—produced the milk in the first place. There is a set differential established, for example, for transportation. It does not make any difference whether there are a lot of trucks competing for the business, or one firm with a monopoly.

The consumer who buys the milk seldom realizes that of all the people who handle it, the farmer is the least protected by the marketing system which ultimately brings it to our tables.

We know for example that wage rates paid to labor involved in processing and distribution will remain firm, whether the price of milk goes up or down. We know that Government will extract its steady rate in taxes regardless of whether the price of milk goes up or down,

whether or not there is a surplus or a shortage. But the farmer suffers every time there is a variance. When there is a surplus of milk being produced, it is the farmer's price which drops, not the income of the man in the assembly plant which processes it, not the profit of the plant which handles it, not the revenue of the Government which taxes it. In other words, as a nation we have allowed wage fixing and are rapidly approaching price fixing in all areas except those who control our priceless and basic resource of agriculture.

There is a need, Mr. Chairman, to find out why the farmer is the man at the end of the whip who always feels the sting when it is cracked. We need to find out whether there is something in our whole marketing structure which makes the farmer more susceptible to its vagaries than anyone else, whether he produces milk or beef or corn. We need to know the impact of sectional calculation of parity, the impact of State Department directed imports, and yes, even of alleged "vertical integration."

If the Commission which we are authorizing today will study these matters with a view toward helping the farmer more than helping any politician—or political party—then it will well be worth the relatively small amount of funds that will be needed to sustain it. I hope the bill properly amended will be adopted.

Mr. HOEVEN. Mr. Chairman, I yield 1 minute to the gentleman from Illinois [Mr. ANDERSON].

Mr. ANDERSON. Mr. Chairman, I shall support the passage of House Joint Resolution 977 to establish a National Commission on Food Marketing to study the food industry from the farmer to the consumer. As the report of the House Agriculture Committee indicates, it is clear that the farmer's share of income from the food dollar has not kept pace with what it should have been. It is manifestly clear that his share of each food dollar that is spent by the consumer has declined steadily from around 47 cents in 1950 to 37 cents today. Therefore, it is difficult to see how anyone could oppose the formation of a bipartisan, entirely objective investigation of the reasons for this situation. The radical change that has taken place in recent years in the whole industrial process is an equally valid subject of inquiry. The fact, again indicated from the report of the committee, that about 2,000 buyers make the buying decisions for 90 percent of all retail outlets, deserves some special scrutiny and attention. When one stops to consider that the Nation's total food bill is about \$70 billion annually, the impact that this can have on our whole economy is quite clear.

Mr. Chairman, while I shall vote for this resolution and support the investigation that it proposes, I should like to point out that it represents no real solution to the problem of the American farmer. More specifically, it certainly will do nothing now to alleviate the critical situation that has been faced for many months by livestock producers who find themselves in an adverse eco-

nomic situation. Just this morning I received a letter from an Illinois livestock farmer who said that he had lost more money in the last 2 years than he had been able to make in the last 10-year period prior thereto. This was not an isolated or exaggerated example.

Countless letters with similar statements have come across my desk during the past year as we have witnessed the "Johnson livestock market" taking an unprecedented toll among the cattle producers in this vital domestic industry. If press reports are accurate, the President informed a recent meeting of Secretary of Agriculture Freeman's advisory committee on livestock, composed of American cattlemen, that if Congress were to pass any special legislation to protect the American livestock raiser from the adverse effects of heavy imports from such countries as Australia and New Zealand, that the President would veto such legislation. This represents, in my opinion, a definite endeavor on the part of the President and his administration to brazenly ignore the plight of our domestic livestock industry. Mr. Johnson loves to pose as a Texas rancher in a wide sombrero. Of course, he has family enterprises including a radio and television empire reported to be worth \$7 million. Perhaps this enables him to view steadily declining cattle prices with some detachment. However, there are thousands of livestock producers in this country who do not own radio and television stations. Indeed, their entire livelihood is derived wholly from the business of supplying the markets of American consumers with the finest beef and pork in the world. These people cannot derive much solace from a 15-member commission which some 15 months hence may or may not recommend action of some significance.

Mr. Chairman, we can ill afford to wait for the results of such an investigation if the President is of such inclination that press accounts show; namely, that he will not consider recommendations favorable to the American livestock producer. If you will recall, it was the late President who once said, "Time has not been our friend."

Mr. Chairman, time will not be our friend in this instance unless effective, remedial action is taken promptly. We must obtain action immediately. The time to act is now. We must stop the precipitous and ruinous decline in livestock prices. Therefore, I call upon the President of the United States to repudiate promptly any statement that he will veto any bill that Congress might pass to aid the American livestock industry. Let the President and his administration begin to show that when they say they are concerned about conditions of poverty, let them also care about the plight of our domestic livestock farmer. It is said that "charity begins at home." Let the administration adopt a charitable attitude toward our own producers. They are not asking for a handout or a Government dole. All they ask is that their means of livelihood be taken into consideration and that they be afforded some protection against excessive foreign imports

during times of cyclical oversupply here in the United States.

(Mr. ANDERSON asked and was given permission to revise and extend his remarks.)

Mr. EVINS. Mr. Chairman, America is the best fed nation in the history of the world. Our supermarkets are the envy of all mankind. But despite this unprecedented bounty, there exists great concern about prices and concentration in the food marketing industry.

As the Representative of a district in which agriculture is a major factor, I know from personal experience that if our Nation's farmers are to prosper, they must receive a fair share of the prices paid for their crops by consumers.

Consumers are entitled to purchase food at prices which include the cost of production—with a fair return to the farmer—and the cost of processing and marketing—again with a fair return to these industries. The consumer cannot expect to buy for less than this, neither should he be forced to pay more.

Available evidence strongly suggests that farmers are not receiving their fair share of the food dollar. The farm-retail price spread has continued to increase—in the past 16 years, prices to the consumer have gone up on many commodities while the farmer has received less for the products which he grows.

I am not insensitive to the fact that costs of processing and marketing have increased but this alone cannot explain why during this period the price of bread has gone up 53.9 percent while the price of wheat has gone down 15 percent—or why the price to the consumer for potatoes has increased 29 percent while the price paid to the farmer has decreased 45 percent. Beef costs the housewife 26 percent more while the farmer receives 14 percent less.

This cost-price spread is not only bad news for the consumer—it is worse news for the farmer and the cattleman.

The depressed condition in the beef cattle industry needs immediate attention, not only by the Commission here proposed, but by the Secretary of Agriculture, the Secretary of State, and others.

We must not permit the heavy increases in imports of beef to further injure the cattle farmers, the stockmen, and the beef cattle producers.

I have urged the State Department and the Secretary of Agriculture to take action to limit the number and amount of imports of beef into our country.

Many feel that the prime cause for these price situations is the growing market power of a few giant firms—the increasing economic concentration which is taking place within the food industry. If present trends are not reversed, it is possible that 10 to 12 firms may soon control the entire food industry.

The small businessmen of our Nation likewise have a vital stake in this matter.

As chairman of the House Small Business Committee, I am proud of the historic role played by my committee in the fight to maintain freedom of opportu-

nity within this industry. For many years now our committee has probed in this area: many hearings have been held on this issue—thousands of pages of testimony have been compiled. Milk, eggs, poultry, meat, fruits, vegetables—the entire gamut of the food industry has been studied.

I believe our subcommittees have pinpointed many of the problems and practices that need investigation. The Commission that is proposed by House Joint Resolution 977 is needed.

I strongly support the pending resolution and urge its adoption.

Mr. WHARTON. Mr. Chairman, here we have another study group, two-thirds to be comprised of Members of Congress, which is apparently designed to duplicate the duties of our regular congressional committees. Until it is demonstrated that such commissions are justified in their duplication of effort, I am opposed to them.

A daily perusal of our committee schedules at this time, when a presidential election is fast approaching, fails to disclose any great pressure of business. In fact, one might even detect a certain amount of lethargy and I can see no reason why the field contemplated by House Joint Resolution 977 could not be fully covered by the appropriate House committee in the closing weeks of the present session.

The administration, after 4 years of its best effort, has failed to go into the important subject of food marketing as it affects low producer returns, as well as a constantly increasing cost to the consumer.

It appears that through such state of inertia, we are now faced with the problem of voting for the proposed Commission, or in the alternative, no action whatsoever. Is not this just another example of artfully delaying the fateful day until after the presidential election?

Mr. GILL. Mr. Chairman, this bill can open a small window on an area which daily becomes more mysterious. Not only do we find a growing spread between farm prices and retail prices, but we also find unexplained food price increases where none seem justified.

In Hawaii, we have long suffered from the results of both horizontal and vertical integration of commodity distribution and industry. An island economy is particularly susceptible in this regard.

Recently, we have seen a strange gap in hamburger prices, which found our retail prices substantially higher than in San Francisco, when the Hawaiian meat supply and produce prices would suggest the opposite.

We have also noted a recent increase in bread prices of 2 cents a loaf. The implication was given that this increase was due to wheat prices when the facts do not bear this out.

I hope this Commission will not only determine the reasons for price spreads across the Nation, but will also help us determine the more difficult reasons for high consumer food prices in my island State. We need to know the relationship between freight rates, control of import facilities, control of credit, and ability to substantially control retail markets.

When the Commission is established, I will certainly ask that it include Hawaii in its investigation.

There are few problems in Hawaii more pressing than the cost of living which daily bleeds the wages and salaries of our people and weakens our economy to the damage of business and consumers alike.

Mr. SMITH of Iowa. Mr. Chairman, while we are considering food marketing legislation and producers' problems today, we also hear a lot about consumption problems.

So many seem to think poverty only exists in Appalachia or on some street other than where we live, that I think an article published in the Shenandoah, Iowa, Weekly Times of May 13, 1964, should be of interest.

So that others might more readily have it available, I am inserting it in the RECORD and it is as follows:

THE TIMES OF OUR LIVES

(By F. S. "Toke" Nelson)

"I believe in an America where every family can live in a decent home in a decent neighborhood—where children can play in parks and playgrounds, not the streets of slums—where no home is unsafe or unsanitary. Where a good doctor and a good hospital are neither too far away nor too expensive—and where the water is clean and the air is pure and the streets are safe at night." President John F. Kennedy stated these ideals during his brief, historic dedication to the Presidency of the United States.

"Let the word go forth from this time and place, to friend and foe alike, that the torch has been passed to a new generation of Americans—born in this century, tempered by war, disciplined by a hard and bitter peace, proud of our ancient heritage—and unwilling to witness or permit the slow undoing of human rights to which this Nation has always been committed." These were President Kennedy's words in his inaugural address in January 1961.

"Let it be recognized that this administration recognizes the value of dissent and daring, that we greet healthy controversy as the hallmark of healthy change." Again, words that keynoted the administration which right now guides the destiny of our Nation. The beloved, late President also said, "When President Roosevelt was running for a second term—some garment workers unfolded a great sign that said, 'We love him for the enemies he has made.' Well, I have been making some good enemies lately."

Lyndon Johnson, a different type man, with a different character than J.F.K.—but steadfastly dedicated to the same American ideals and principles, has taken over the job of fulfilling these ideals. President Johnson has opened an entire new vista of responsibility for us all with his war on poverty.

It is nearly impossible for us to grasp the true, painful meaning of poverty. L.B.J. last week said this would be the most difficult task in the war on poverty—to get the unaffected population of the Nation to really relate to the plight of poor people.

Here in Shenandoah and Red Oak—in Page County, Fremont County, Montgomery County, Adams County, Mills County, and Atchison County, Mo., there are alarming amounts of poverty—desperate need. In each of the above areas, one out of every four families is in the "acute poverty" class. That is hard to grasp if you look up and down the prosperous-appearing street you live on, isn't it?

As I write this on Sunday—a glorious Mother's Day when May is splendorous—two

young brothers flit past the window. Their father is gone; their mother does housework part-time to clothe them. Here is a family of four existing on less than \$25 per week. If I truly look up and down the streets—all the streets—in my neighborhood I start to discover there really is poverty. And this acute situation (doing without many, many necessities that most of us take for granted daily) exists in alarming numbers in our rural areas. Drive off the highways or the neat blacktop farm roads. Drive up the rutted sideroads. You'll discover squalor, inadequacy—pain, sorrow, hunger, and hopelessness. One thing about poverty—it breeds more poverty.

Ironically, poverty works about the same as abundance. Poverty multiplies poverty—it, births it. A contrast to the axiom "it takes money to make money."

An undeniable moral truth is that we are our brother's keeper—whether it be in a civil rights fight for integration—or to raise the standard of living of our neighbors. It will always be so.

It would be wise—and healthy for each of us—to discover our personal position in the battlelines in this local war on poverty. For we cannot have true joy anywhere in Timesland—indeed in America—as long as other American families are "in need, want, or fear."

We ought to prayerfully, fearlessly close ranks today in our own frontlines. We must recognize, deal with, and alleviate poverty from our communities and rural areas—for the peace and happiness of our fellows and ourselves. This is done simply by sharing of our own, ourselves!

Recalling more wisdom of our late President J.F.K., "It is the fate of this generation to live with a struggle we did not start, in a world we did not make. But the pressures of life are not always distributed by choice. And while no nation has ever faced such a challenge, no nation has ever been so ready to seize the burden and the glory of freedom."

"Let us not seek the Republican answer or the Democratic answer, but the right answer."

Mr. HOEVEN. Mr. Chairman, I have no further requests for time.

Mr. POAGE. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read the joint resolution for amendment.

The Clerk read as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall make such interim reports as it deems advisable, and it shall make a final report of its findings and conclusions to the President and to the Congress by July 1, 1965.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraph (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal

executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as herein otherwise provided.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—

(a) The Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and the executive director, with the approval of the Chairman, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further,* That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(b), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—

There is hereby authorized to be appropriated such sums not in excess of \$1,500,000 as

may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

Mr. POAGE (interrupting the reading of the joint resolution). Mr. Chairman, I ask unanimous consent that the balance of the joint resolution be considered as read and that the resolution be open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 3, beginning on line 19, strike out all of subsection (b).

Page 3, line 22, strike out "(c)" and insert "(b)".

Page 3, line 23, following the word "report" insert "of its findings and conclusions."

Page 3, line 24, strike out "1966" and insert "1965".

Page 4, line 2, strike out "member" and insert "three members".

Page 4, line 4, following the word "opinions" insert "pertinent to the study".

Page 4, line 5, following the word "authorized" insert "by a majority vote".

Page 5, line 14, strike out "request" and insert "require".

Page 5, line 18, following the word "authorized" insert "and directed".

Page 6, line 20, strike out "it deems" and insert "are".

Page 6, line 21, strike out the period at the end of the sentence and insert ", except as herein otherwise provided."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 6, line 23, strike out "Chairman of the".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 7, line 1, after the word "and" insert "the executive director, with the approval of the Chairman, shall employ and fix the compensation of".

AMENDMENT OFFERED BY MR. HOEVEN

Mr. HOEVEN. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. HOEVEN to the committee amendment: Page 7, line 2, strike the word "Chairman" and insert in lieu thereof the word "Commission".

(Mr. HOEVEN asked and was given permission to revise and extend his remarks.)

Mr. HOEVEN. Mr. Chairman, my amendment is simple. It merely changes the word "Chairman" to "Commission" in the committee amendment in line 2 on page 7.

The effect of my amendment will be to insure as much as is possible that the staff of the Commission will be selected on a bipartisan basis. The Commission itself is to be selected on a bipartisan basis, so I can see no reason why the staff should not also be selected in this manner.

As the bill now stands, the White House would control the staffing of the Commission. The President selects the Chairman, and the Chairman approves the staff under the present language of the bill. My amendment makes the Commission itself responsible for staff approval.

The argument that the full Commission will not have time to consider each and every typist and clerk is not a sound one. Under my amendment, the staff director can be given this authority by the Commission itself. What I want to insure is that competent and skilled technicians and professionals regardless of party affiliation will have a chance to serve as staff members and employees of this important Commission. I also want to insure that any dissenting views on the Commission have an opportunity to be heard.

In preparing my amendment, I took a little time to look at the last bipartisan Commission created by legislation originating in the Committee on Agriculture. This was the Commission on Increased Industrial Uses for Agricultural Products created in 1956 under President Eisenhower.

Section 209(a) (3) of that statute provided as follows:

The Commission is authorized to appoint and fix the compensation, without regard to the civil service laws and the Classification Act of 1949, as amended, of an executive director and such chemists, engineers, agriculturists, attorneys, and other assistants as it may deem necessary.

In other words, the last time a bipartisan commission was created, the Commission itself hired its own staff. The White House did not control its staff selection.

That particular Commission operated effectively and made some very useful and constructive findings.

I would like to preserve that same approach in this legislation. Let the Commission select its own staff. Then it can get about its job quickly and expeditiously and be free of undue White House domination.

It is interesting to note that at the time the Hoover Commission was appointed, the supporting legislation provided as follows:

The Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable in accordance with the provisions of the civil service laws and the Classification Act of 1923, as amended.

Not only do we have a precedent as far as the Hoover Commission is concerned, but also in the commission set up to investigate industrial uses for agricultural products.

I certainly hope this amendment will be adopted.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. HOEVEN. I yield to the gentleman.

Mr. POAGE. I was about to suggest that I do not think this amendment is worth any discussion whatsoever and I do not think it is going to make the slightest difference, and I do not see any reason for carrying on a fight about it.

Mr. HOEVEN. Is the gentleman accepting the amendment?

Mr. POAGE. I would not accept it, but I certainly would say I do not see any reason for carrying on a fight about it. I am perfectly willing to let the gentleman put it in. I am not going to accept it.

Mr. Chairman, this was discussed in the committee. The gentleman knows the objections to it and the dangers involved. After all, the Chairman is going to pick the executive director, and the executive director will not last long unless he is in accordance with the views of the Commission and the Chairman.

I do not see that it will make any particular difference one way or another. It will just go through one more step, that is all.

Mr. HOEVEN. I merely call attention to the fact that if we are to have a bipartisan Commission I am most anxious that it be bipartisan all the way through.

The CHAIRMAN. The question is on the amendment to the committee amendment offered by the gentleman from Iowa [Mr. Hoeven].

The amendment to the committee amendment was agreed to.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 8, line 9, strike out "(c)" and insert "(b)".

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will state the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 8, line 13, strike out "\$2,500,000" and insert "\$1,500,000".

AMENDMENT OFFERED BY MR. HOEVEN

Mr. HOEVEN. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. HOEVEN to the committee amendment: On page 8, line 13, strike the figure "\$1,500,000" and insert in lieu thereof the figure "\$500,000".

The CHAIRMAN. The gentleman from Iowa is recognized.

(Mr. HOEVEN asked and was given permission to revise and extend his remarks.)

Mr. HOEVEN. Mr. Chairman, this amendment would authorize the expenditure of up to \$500,000 for the Commission's work. The committee amendment provides for \$1.5 million.

The other body has already passed the same legislation authorizing the expenditure of \$2.5 million over a 2-year period. If the House goes to conference with a \$1.5 million authorization, the authorized appropriation will surely be increased in conference. If the House goes to conference with \$500,000, our House conferees will be in a much better bargaining position.

The plain fact is, Mr. Chairman, that the Commission will not need \$1.5 million. Let us remember that 2 weeks ago the Agriculture Department appropri-

tion bill for fiscal year 1965 provided \$350,000 to the Department of Agriculture for research similar to that contemplated by this legislation. There seems to be adequate money for research.

Let us remember also that the 1956 Commission on Increased Use of Agricultural Products needed only \$150,000.

The witnesses before our committee did not justify this expenditure of \$1.5 million. Secretary Freeman submitted a statement for the record, stating that during each year the Commission anticipated spending \$730,000 on salaries and related benefits for 74 permanent positions—\$730,000 for 74 permanent positions—\$110,000 on travel; \$100,000 on supplies, equipment, and printing; \$125,000 on automatic data processing; and \$185,000 on other expenses; for a total of \$1,250,000 per year.

Mr. Chairman, I do not believe there is a single committee of this Congress which spends \$730,000 on its entire operation in 1 year, much less \$730,000 just on annual salaries. During the consideration of this bill in the committee I offered an amendment to set the level of authorized expenditures at \$500,000. My amendment carried by one vote, but, upon a switch by one member of the committee, my amendment failed on a tie vote of 16 to 16. It was the feeling of at least half of the committee at that time that this sum was excessive.

Mr. Chairman, many Members of the House are economy minded. So this is a good economy vote. We know full well when the conference report is agreed upon we will have all the money we need and more. If it should become necessary for any reason to increase the amount later, the Congress will still be here. I submit that a vote for my amendment is a good economy vote.

Again I contend we should have a little bargaining power when we meet with the other body in conference. Furthermore, we have already authorized the sum of \$350,000 in the agricultural appropriation bill which will duplicate some of the work. I hope my amendment will be adopted.

Mr. ROOSEVELT. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Seventy-two Members are present, not a quorum.

The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 147]

Abbitt	Carey	Frelinghuysen
Andrews, Ala.	Cederberg	Fulton, Tenn.
Ashley	Celler	Gallagher
Ashmore	Chamberlain	Glamo
Aspinall	Colmer	Grabowski
Auchincloss	Cooley	Grant
Barrett	Corman	Gray
Bass	Davis, Tenn.	Griffiths
Becker	Dawson	Gubser
Blatnik	Derounian	Halleck
Bolton	Devine	Hanna
Frances P.	Diggs	Hansen
Bray	Dorn	Harrison
Bromwell	Dulski	Harsha
Bruce	Dwyer	Harvey, Ind.
Buckley	Edmondson	Harvey, Mich.
Burke	Elliott	Hays
Burton, Calif.	Everett	Healey
Burton, Utah	Febstein	Hébert
Cahill	Flynt	Herlong
Cameron	Forrester	Holifield

Huddleston	May	Schadeberg
Hull	Meader	Scott
Hutchinson	Michel	Selden
Ichord	Miller, N.Y.	Sheppard
Jarman	Minshall	Short
Johnson, Wis.	Montoya	Slack
Jones, Ala.	Morris	Steed
Kee	Morrison	Stinson
Kelly	Mosher	Teague, Tex.
Kilburn	Multer	Thompson, N.J.
Kyl	Passman	Toll
Laird	Pilcher	Tollefson
Landrum	Pool	Tupper
Lankford	Powell	Van Pelt
Leggett	Rains	Weltner
Lindsay	Reifel	Whitener
Long, La.	Riehlman	Williams
McCulloch	Roberts, Ala.	Wilson, Bob
McIntire	Roberts, Tex.	Wilson, Ind.
Macdonald	Rooney, Pa.	Winstead
Martin, Calif.	Roudebush	Wright
Matsunaga	St Germain	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CHARLES H. WILSON, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration House Joint Resolution 977, and finding itself without a quorum, he had directed the roll to be called, when 306 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. For what purpose does the gentleman from Texas [Mr. POAGE] rise?

Mr. POAGE. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this amendment is probably the only amendment of substance which will come before the committee—at least, it will probably be the only one which the committee will feel it must oppose. This amendment if passed raises a serious question, both as to the effectiveness of the Commission, and it raises a serious question as to the proper approach we should use to try to work out differences of opinion with the other body.

As to the effectiveness of the Commission, I think, we will all agree that should the Commission be created and be limited to half a million dollars, it is perfectly obvious that it cannot do the work which is expected of it.

If I understood the gentleman from Iowa, he agrees it would take about \$1,500,000 and that that amount is about what we should wind up with. So probably the difference of opinion exists merely as to how we should go at this matter of achieving a final bill which will provide the \$1,500,000 for this Commission which he and I both feel will probably be needed.

Mr. Chairman, I would hope that we might have the attention of the Members for the next 5 or 10 minutes because I think this is a turning point in this whole discussion. I think we must all agree if this Commission is to do the serious work which we all believe it should do, and there is full agreement on both sides of the aisle that we need to have this work done, if it is to be done, it is going to take something on the order of \$1,500,000 to do it.

The resolution was introduced providing for \$2,500,000. The other body passed a similar resolution providing \$2,500,000.

Our committee felt in the first place that we should reduce the period during which the Commission should function. We felt that it would take at least a \$1 million a year to keep the Commission running, and something more for the first year to cover the original organization of the Commission. We based those figures upon a comparative study of figures relating to similar activities of this kind. For instance, the Hoover Commission which was a 12-man Commission rather than a 15-member Commission actually spent about \$1 million each year. The first Hoover Commission in 22 months spent \$1,939,000 approximately at the rate of \$1 million a year—actually just over that amount. The second Commission spent a little more than that, spending \$2,839,000 in 23 months.

So we felt in providing this fund, we were providing approximately the same amount of money that that agency has spent even though costs are greater today. Incidentally, I would call to your attention the fact that the Hoover Commission had an unlimited authorization—and that is what we are talking about here.

The authorizations for both Hoover Commissions were absolute blank checks, a key to the Treasury with absolutely no limitations. The figures I gave you are the amounts they actually spent. The present minority Members found no basis for any concern when we gave that Commission unlimited spending authority.

Now we are talking about a commission of comparable magnitude. I do not want to give it the kind of blank check we gave the Hoover Commission but neither do I want to tie it down so that it cannot do a good job. Our committee felt that it would be wise to provide at least \$1.5 million for the little more than a year's work provided for under the terms of the resolution as it now stands.

I believe it is fair to point out that the ranking minority Member expressed himself as agreeing we needed to make this meaningful, but he feels—and I understand the feeling—that if we should authorize \$1.5 million, since the other body has authorized \$2.5 million, there might be a compromise worked out on the basis of a 50-50 split which would result in a \$2 million authorization. I do not believe that is a correct assumption, nor do I feel that is the proper way to get sound legislation in a conference between the two Houses.

To the contrary, it seems to me that the House should establish a reputation for honesty, a reputation for sincerity, a reputation for passing the kind of legislation we believe should become law. Then we would stand in a far better position all the way down the line.

The CHAIRMAN. The time of the gentleman from Texas has expired.

(By unanimous consent, Mr. POAGE was given permission to proceed for an additional 5 minutes.)

Mr. POAGE. Mr. Chairman, I am somewhat reluctant to continue this discussion, because I would like to have a vote, but earlier in my discussion there was a little disturbance in the Chamber,

and I have had to repeat a number of things.

I believe it is quite clear that if we are to establish a sound policy in meetings with the other body in conference we must do so on the basis that what we pass is what we believe is sound legislation, rather than on the basis that we are passing something for "trading purposes" only.

That is exactly what the gentleman told us he proposed with his amendment—not to pass what he believed was needed by the country, but rather to pass what he believed would provide a good trading position.

I hope that the gentleman will serve on the conference. I assume I may serve on the conference, if there is a conference. Actually I am quite hopeful that if we pass this bill as the committee suggests that the other body will accept it. I suggest to the gentleman that it is my belief that the \$1.5 million will be adequate. Unless someone can show me a reason for raising that figure, it will not be my purpose to try to raise it or to split the difference with anybody. I believe it is a sound figure, and I believe we ought to insist on a sound figure, one which is adequate and one which we can defend in conference. We should not go to conference with a record already written, saying "We did not believe in what we passed, but we passed it in order to try to make a trade with you."

I do not believe that is a sound way to trade with anybody. If anybody came to me with that kind of proposition, certainly I would draw back from it. I assume our brethren on the other side of the Capitol feel the same way about it.

It seems to me that there is no basic difference between the viewpoint of the leader on the minority side and myself. We all agree that a job should be done. The question is how to get it done.

From a mechanical standpoint, I believe the gentleman has suggested an impractical method. I hope he will agree to go along and to accept the figure which he himself feels should be the final figure for the legislation.

Mr. HOEVEN. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Iowa.

Mr. HOEVEN. I believe the gentleman is putting words in my mouth. I did not commit myself to any figure.

Mr. POAGE. No; but the gentleman did say that he wanted to get us in an advantageous trading position. He did say he felt that if we cut this down to one-half million dollars, since they have provided \$2.5 million on the other side, we could trade out at the figure where we are—that is of \$1.5 million. He did feel that if we passed this at \$1.5 million then we would have to trade out at something higher.

Mr. HOEVEN. As I stated before, I believe we should be in a position to bargain with the other body. They have a reputation for always upping the appropriations and standing fast on their authorizations and other proposals.

I certainly wish to adequately provide for the work of this Commission. We

must take these things into consideration. I most certainly would not exceed the amount that the committee wrote into the bill.

I still believe, as I pointed out before, that \$350 million was provided in the Agriculture Department appropriation bill, and that can be used for a lot of research which will be duplicated in the effort of this Commission.

This is a good economy vote, to vote for this \$500,000 authorization at this time. Then we can come back here, in my judgment, and I sincerely hope so, with a reasonable figure which will carry on the work of this Commission as it should be done. As I pointed out previously, if it is found that we have not authorized or appropriated enough money, I shall certainly be a party to seeing that they have adequate funds, but let us not go all out on this thing at the present time.

Mr. POAGE. Mr. Chairman, the gentleman has made perfectly clear, I believe, the point which I was trying to make. He is suggesting not a figure which he thinks is needed by the Commission in order for them to do a sound job but, rather, a figure which he thinks will look good. He says it will be "a good economy vote" here and then you can raise it in conference. I do not think if we operate on the basis that we are going to cast our votes just to look good today, and that we deliberately intend to then raise the amount in conference, that we are doing the kind of thing which will ever enable this body to deal on an effective basis while trying to compromise with the other body. On the contrary, I would prefer that we pass what we know is needed to meet our obligations and then stand fast when we deal with the other body.

It is agreed by the minority Members that we may need around \$1,500,000. Let us authorize this amount. I offered the amendment in the committee to cut this figure from the \$2.5 million contained in the original, not because I wanted to "trade" with the other body—not because I was seeking a "good economy vote," but because I felt this much was needed; and that it was all that was needed. Let us keep it.

Mr. GATHINGS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, when this legislation was before the House Committee on Agriculture, the time of the investigation was cut to 1 year instead of 2. As a result of cutting down the time to 1 year, the gentleman from Texas [Mr. POAGE] presented an amendment to cut by \$1 million the cost of the investigation from \$2.5 million to \$1.5 million. Subsequently the bill was considered in the Senate and the Senate agreed to \$2.5 million but had a 2-year limitation. On that basis the Senate provision carries \$1.25 million and the House provision carries \$1.5 million. The gentleman from Iowa [Mr. HOEVEN], presented the amendment to cut the cost to \$500,000. When that amendment was voted upon it was a tie vote. I supported the gentleman's amendment, because I think it was sound and just and proper. I believe

now that it is a sound, just, and proper amendment, because if the Senate has \$1.25 million written in it and the House has \$500,000, you are still going to come up with something like \$800,000 for this study for the first year. If additional money is needed, that money will be granted by this Congress in order to do this job. Whatever is needed will be made available.

Let us look at some of the other committees that have been created by the House of Representatives. Time and time again we have created select committees and given those committees \$25,000 or \$50,000 for a few months' work, and they have done a good job. Let us look at the Committee on Small Business. This is a great committee and is doing a fine piece of work in this House. We appropriated \$250,000 a year to do that work. They have a staff of 24 to 25 men on the Small Business Committee. They do that work for \$250,000 a year. Quite a lot of work is needed to be done in this food study. But I want to say to you that if the House provides \$500,000—we will be providing at least \$800,000 if we compromise between the \$1,250,000 the Senate put in its bill and some \$500,000 here.

Mr. Chairman, I want to call the attention of the Committee to the Committee on Government Operations, the Subcommittee on Investigations, of the U.S. Senate. The appropriations for that subcommittee in the 88th Congress, 2d session, was \$450,000. Do you not think they have done a pretty good job with \$450,000?

Let us give this committee whatever they need but at the same time let us keep it down within limits. We do not need 70 employees on this committee as proposed here.

Mr. HOEVEN. Mr. Chairman, will the gentleman yield?

Mr. GATHINGS. I am glad to yield to the gentleman from Iowa.

Mr. HOEVEN. I thank the gentleman for his timely comments. I would like to point out that the Joint Committee on Taxation, the Joint Economic Committee, the Committee on Appropriations, and Committee on Ways and Means—none of them, to my knowledge, is spending \$730,000 a year on salaries. We have had all kinds of committees in this House which have operated on less money and have done very effective jobs.

Mr. GATHINGS. And they will do it here, too. The Committee on Small Business has done a splendid job with 24 employees. If they need more employees they can come back and get a supplemental authorization.

Mr. Chairman, I hope the amendment offered by the gentleman from Iowa will be agreed to.

Mr. TEAGUE of California. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I do not feel the call very often to come down into the well, but I do this time. This is by no means a partisan issue. Those Members who were not here when the gentleman from Iowa [Mr. HOEVEN], offered his amendment, should know that we are here involved with a good attempt, which I sup-

port, to cut an authorization from \$1.5 million to \$500,000. Let it be made perfectly clear that I certainly do not oppose the establishment of the National Commission on Food Marketing. I know very few people on either side of the aisle who do. But there has been a lot of talk about economy and frugality. I am sure all of us, when we get back to our districts, say quite properly we are not for wasting Federal moneys. If we authorize \$1.5 million for the use of this Commission, in my opinion, that is exactly what we would be doing.

Let me offer for those who did not have this information before the fact that Secretary Freeman has indicated this in his official report to the committee, that he needs only \$1,250,000 a year. I do not know any man in the executive branch who is inclined to minimize his requirement. He says he needs \$730,000 for salaries of this Commission when there are still 120,000 employees in the Department of Agriculture, many of whom could be loaned to this division to help in its studies. Also he said they need \$110,000 for travel, \$100,000 for supplies and equipment and printing, \$125,000 for automatic data processing service and \$185,000 for other expenses. To me these figures are exorbitant, unreasonable and unjustified.

Further, let me point out to you, those who have not realized it yet, that the agricultural appropriation bill which we passed just a few days ago has in it a provision that:

Not less than \$350,000 * * * shall be available to continue to gather statistics and conduct a special study on the price spread between the farmer and consumer.

That is exactly what this Commission is going to be doing. This is a floor and not a ceiling—not less than \$350,000.

Mr. Chairman, Secretary Freeman, if he wishes, can make \$1 million available through that source. So, everything considered and gathered together, it is my opinion that it is perfectly unrealistic to provide any such sum as \$1.5 million.

Mr. Chairman, in conclusion permit me to say with respect to the statement which has been made by the gentleman from Texas [Mr. POAGE] that the Hoover Commission spent perhaps \$1 million, the studies of the Hoover Commission ran far beyond the particular and specified function of this particular Commission.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. TEAGUE of California. I am glad to yield to the gentleman from Illinois.

Mr. FINDLEY. As the gentleman has informed the House, the spending for this type study, even though we provide no authorization at all in this bill, could rise as high as \$9 million because the Department of Agriculture appropriation bill which we very recently passed provided that sum for the Economic Research Service of the Department of Agriculture. And, as the gentleman has pointed out, \$350,000 of that amount, a minimum of \$350,000 of that amount, must be devoted to a study of the very

same type which this Commission is proposed to undertake.

Further, Mr. Chairman, this joint resolution would authorize a contract between the Commission and any Federal agency, including the Economic Research Service of the Department of Agriculture, which would make available the vast dollar and manpower resources of that Service.

So, Mr. Chairman, there is no danger of this Commission running out of money.

Mr. TEAGUE of California. No. If the amendment which has been offered by the gentleman from Iowa [Mr. HOEVEN] is adopted, we would have \$500,000 authorized, plus a minimum of \$350,000 in the general agriculture appropriation bill.

Mr. HOSMER. Mr. Chairman, will the gentleman yield?

Mr. TEAGUE of California. I am delighted to yield to the gentleman from California.

Mr. HOSMER. This is the kind of task that has often been taken up by economics departments of the various universities and by private research organizations, under contracts.

Was there any discussion of that alternative and was that considered by the committee?

Mr. TEAGUE of California. Yes. If I remember correctly, that is authorized under the pending bill.

Mr. HOSMER. If the gentleman will yield further, that kind of study with reference to putting a lot of people on the payroll, as the gentleman has related, certainly seems preferable to me. Certainly, if the amount authorized is cut to the amount as proposed in the amendment, it would put the study into the hands of students who can make these studies, and out of the hands of possibly some people who are appointed on a political basis here in Washington.

Mr. TEAGUE of California. I thank the gentleman for his contribution.

Mr. GROSS. Mr. Chairman, I move to strike the requisite number of words. (Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I do not know whether I heard the gentleman from Texas [Mr. POAGE] correctly or not, but it seems to me that a few minutes ago he said something to the effect that this \$1.5 million is needed to establish the honesty and integrity or reputation of Congress.

Well, if we can establish the honesty and integrity of the Congress in all of its ramifications with \$1.5 million, perhaps, this might be cheap.

I do not know what the other body has spent on the Bobby Baker investigation, but they have not been able to remove the stigma despite the expenditure of a good many thousands of dollars.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I am glad to yield to the gentleman from Texas.

Mr. POAGE. I want to call to the attention of the gentleman from Iowa

[Mr. GROSS] that the gentleman did misunderstand my remarks and did not hear the gentleman from Texas correctly. I said nothing whatsoever about establishing the honor of Congress.

Mr. GROSS. I am glad to have that statement from the gentleman from Texas, but I hope the gentleman will look closely at his remarks. He made a statement very similar to that.

Mr. Chairman, for the life of me I cannot understand how with 10 of the members of the proposed Commission already on the congressional payroll, it can possibly spend \$1.5 million, especially in view of the fact that a great amount of information necessary to this inquiry must be already in the hands of the Department of Agriculture, the Federal Trade Commission, the Department of Commerce, and various other agencies and departments of Government.

I do not see how it can possibly, and with justification, spend \$1.5 million on this investigation over a 1-year period.

Mr. Chairman, I am for a complete investigation because there is altogether too much of a spread in some respects as between the farmer-producer and the ultimate consumer. But I am unable to understand how in the world they can spend \$1.5 million on this investigation, with only five public members to be paid on a per diem basis.

Mr. ROOSEVELT. Mr. Chairman, will the gentleman yield?

Mr. GROSS. Yes; I am glad to yield to the gentleman from California.

Mr. ROOSEVELT. I believe it is important to point out to the gentleman from Iowa that on page 7, line 12, the joint resolution says that:

The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

In other words, it is not, I will say to my friend the gentleman from Illinois [Mr. FINDLEY] possible for the Department of Agriculture to be asked to do this for the Commission because it must be reimbursed by the Commission. Therefore, the money would not be available out of the appropriations made to the Department of Agriculture.

I should also like to point out to one of the previous gentlemen who said the Small Business Committee could operate on a \$250,000 budget. I am here to testify that we in the limited manner in which we were able to go into this field failed in our overall purpose because we could not afford the staff, we did not do the job because of the financial situation. If you are for this bill and if you do not want to see it stymied, I can assure the gentleman I do not believe it can be done for less money. This money has been justified before the committee, and it seems to me when you want to cut it down to \$500,000 you just do not want these matters looked into.

I hope the pending amendment will be defeated.

Mr. GROSS. I have no desire to cast any reflection on this committee, but I have not heard from members of the

Agriculture Committee a good justification for the \$1.5 million.

The Hoover Commission has been mentioned. I do not know how many members of the Hoover Commission were public members and, therefore, paid on a per diem basis, plus expenses.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Illinois.

Mr. FINDLEY. The Economic Research Service has been charged with the duty of conducting such a study, a similar study to that to be undertaken by this Commission. Certainly there would be no obligation on the part of the Economic Research Service to be reimbursed for any studies that might be coordinated and tied into the study of this Commission and become part of it.

Mr. GROSS. I thank the gentleman. I was pleased to hear the gentleman from Texas [Mr. POAGE] say the Commission will have authority to go into imports and the effect of imports on prices in this country. Earlier this year, the House passed a measure implementing the International Coffee Agreement. At that time I tried to warn the International Coffee Agreement would result in increased cost of coffee to the consumers of this country. At that time the chairman of the Committee on Ways and Means, who had charge of the bill on the floor, insisted this would not be the case. Only the other day, in connection with another coffee import bill which came to the House floor, the chairman said he very frankly had been disappointed, that there had been an increase—a substantial increase—in the prices of coffee to American consumers. I hope the investigation goes into that.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

(By unanimous consent (at the request of Mr. HOEVEN), Mr. GROSS was allowed to proceed for 3 additional minutes.)

Mr. HOEVEN. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to my colleague from Iowa.

Mr. HOEVEN. I would like to point out to the Committee the justifications submitted by the Secretary of Agriculture who appeared in behalf of the administration and presented the proposed budget relation to this National Commission on Food Marketing showed \$1.25 million per year, which is \$250,000 less than the committee amendment, of \$1.5 million.

In this justification for the year 1965 we have salaries and related benefits of \$730,000, which provides for 74 permanent positions, travel \$110,000, supplies, equipment, and printing \$100,000, automatic data processing services \$125,000, other expenses, rent, utilities, services of other agencies, miscellaneous support, \$185,000, or a total of \$1.25 million, which is \$250,000 less than the committee authorization of \$1.5 million.

Mr. ROOSEVELT. Mr. Chairman, will the gentleman yield?

Mr. HOEVEN. I yield to the gentleman from California.

Mr. ROOSEVELT. I think it would be fair to say to the gentleman from Iowa that that amount which was justified deals only with that part of the work that has to do with the Department of Agriculture. What about the Federal Trade Commission work, what about the work of the Department of Justice in antitrust matters?

Mr. HOEVEN. This estimate is obligations for the National Commission on Food Marketing, the very proposal that is before us at this time. In addition, the Department of Agriculture has \$350,000 in the appropriation bill we passed the other day, which would be a duplication.

Mr. ROOSEVELT. I think, however, the gentleman will see that this deals with the Department of Agriculture and the Commission. It has no reference in it and could not very well make reference to what the Federal Trade Commission would want in the way of reimbursement for doing the job.

Mr. HOEVEN. The gentleman from California is mistaken. This is in the testimony of Secretary Freeman when he appeared before our committee on the very bill we are discussing, and that has nothing to do with the Department of Agriculture.

Mr. ROOSEVELT. No, what I said was that this applies only to the Department of Agriculture work the commission is going to do. It does not take into consideration anything they would have to do with the Federal Trade Commission and the Department of Justice.

Mr. HOEVEN. I submit this pertains only to the work of the commission and nothing else.

Mr. ROOSEVELT. That is what I am saying and have said over and over to the gentleman.

Mr. HOEVEN. The Secretary's testimony related to the work of the commission, not to the work of the Department of Agriculture.

Mr. ROOSEVELT. But only as to agricultural matters.

Mr. ROONEY of New York. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield.

Mr. ROONEY of New York. I have listened very carefully to this debate. It would seem to me since the gentleman referred to coffee prices that he and his distinguished colleague from Iowa would want to look into the cream that goes into that coffee.

Mr. GROSS. Yes, also Australian beef, lamb, and mutton, and the ham that is coming in from Poland.

Mr. ROONEY of New York. I wonder what Senator GOLDWATER thinks about this.

Mr. GROSS. Do not worry about Senator GOLDWATER; I suggest you worry about President Johnson.

Mr. AYRES. Mr. Chairman, I move to strike out the last word, and ask unanimous consent to speak out of order.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. AYRES. Mr. Chairman, in the past few days we have seen a number of young people visiting the Capitol from their various districts who were local

spelling bee champions. I should like to relieve your anxiety. Just a few moments ago my constituent won the national spelling bee championship. Little Billy Kerek and his teacher, Miss Estella Swearegin, who has been here five times before, trying for the championship. This is the first time her student has won. Billy's parents were also present when he spelled the final word.

Mr. ROONEY of New York. Mr. Chairman, will the gentleman yield?

Mr. AYRES. I yield.

Mr. ROONEY of New York. Surely the distinguished gentleman did not have anything to do with that, did he?

Mr. AYRES. Indirectly I did, because I was interested in getting a bond issue passed to build the Bolich Junior High School, that this young man attends. Further, he was sponsored by the Akron Beacon Journal, which supported me. But I should like to add in a nonpartisan vein that the schoolteacher is a Republican, and I think his mother is a Democrat. I congratulate all those who were involved in the contest with a special hurrah for the new national spelling bee champ, Billy Kerek.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa [Mr. HOEVEN], to the committee amendment.

The question was taken; and on a division (demanded by Mr. HOEVEN), there were—ayes 57, noes 68.

Mr. HOEVEN. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. HOEVEN and Mr. MATTHEWS.

The Committee again divided, and the tellers reported that there were—ayes 76, noes 94.

So the amendment to the committee amendment was rejected.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. MATTHEWS. Mr. Chairman, the National Commission on Food Marketing, which has been proposed by President Johnson to study and appraise changes in the marketing structure of the food industry, is of vital concern to every citizen of the United States. As President Johnson has said:

The growth and stability of our entire economy depends, to a large extent, upon the food industry. We do not know enough about the new character of the industry. The Commission would gather the necessary information and report to the Congress, the President, and the public.

The House Agriculture Committee in its unanimous report on the Marketing Commission, stated:

The American public is vitally interested in the information that will be disclosed by the study to be performed by the National Commission on Food Marketing. The public is vitally concerned that our system will continue to furnish a great abundance of food and fiber at low costs. The Congress and the Executive will carefully consider the recommendations and findings of the Commission when its work is completed. The Committee on Agriculture urges prompt action on this legislation so that the members can be appointed and the staffs employed to begin the study as soon as possible.

Secretary Freeman has called the proposed Commission study:

The most significant inquiry to be proposed since the late Senator JOSEPH C. O'MAHONEY launched the historic Temporary National Economic Committee (TNEC) in the late 1930's.

The food industry of the United States accounts for annual retail sales of \$70 billion and provides employment for about 11 million wage earners. It is our most basic industry, which directly touches the life of every American every day.

Changes in the food industry in the past two decades have been dramatic and far reaching. Business relationships among producers, assemblers, processors, wholesalers, jobbers, retailers and other traditional types of marketing firms have been altered, and in many cases these traditional functionaries have lost their separate identities. Through a process of growth, specialization, merger, horizontal and vertical integration and various forms of contractual arrangements, food marketing has evolved into a system of interrelated and highly coordinated business operations.

The changes of the past two decades have brought great advances in physical efficiency and service to consumers. They also have resulted in significant concentrations of market power and have altered the relationships among various groups in the food industry. Some have gained; others have lost during this period of rapid change.

We urgently need an assessment of the social benefits and the social costs of the changes which have been taking place. We need an evaluation of the road we have been traveling and the direction we believe the food industry of the United States should take for the future. This will require the best talents we can muster.

The National Commission on Food Marketing proposed by the President—made up of outstanding public leaders, with the services of a competent professional staff—offers the best hope for completing the type of objective study and evaluation which is needed. We all have a large stake in the successful completion of this work.

Mr. MATTHEWS. Mr. Chairman, I move to strike the requisite number of words.

I rise in support of the resolution. I hope it will be approved by an overwhelming majority.

(Mr. MATTHEWS asked and was given permission to revise and extend his remarks.)

AMENDMENT OFFERED BY MR. HOEVEN

Mr. HOEVEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOEVEN: Page 7, line 8, strike the word "Chairman" and insert in lieu thereof the words "executive director, with the approval of the Commission."

The CHAIRMAN. The gentleman from Iowa is recognized for 5 minutes.

Mr. HOEVEN. Mr. Chairman, this amendment will make the hiring of consultants, experts, and temporary employees subject to the approval of the

full Commission rather than just the Chairman. It will vest the basic responsibility in the executive director as both my earlier amendment and the committee amendments do.

It incorporates the same principle involved in my earlier amendment. It simply lets the Commission, not the executive branch, select the Commission's advisers and experts. It would adopt exactly the same method of selecting experts as was done by the Commission on Increased Industrial Uses of Agricultural Products created in 1956, as well as the Hoover Commission in 1947.

It is an amendment designed to insure the bipartisan selection of competent and skilled experts.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. HOEVEN. I yield to the gentleman from Texas.

Mr. POAGE. So far as I am concerned, I accept the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa.

The amendment was agreed to.

AMENDMENT OFFERED BY MR. FINDLEY

Mr. FINDLEY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FINDLEY: On page 3, after line 25, insert: "(6) The effect of imported food on United States producers, processors, and consumers".

The CHAIRMAN. The gentleman from Illinois is recognized for 5 minutes.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I am glad to yield to the gentleman from Texas.

Mr. POAGE. I expect to accept the amendment, but I believe it should be after line 18 instead of after line 25, on page 3.

Mr. FINDLEY. I believe the gentleman will find that subsection (b) above applies to number (5), so it should be at the bottom of the page.

Mr. POAGE. I would be glad to accept the amendment, if put at the end of section (5), but I believe it is entirely out of order, as stated.

Mr. FINDLEY. Mr. Chairman, I ask unanimous consent to correct my amendment, to make it appear after line 18, if that is the proper place.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The CHAIRMAN. The Clerk will report the amendment, as corrected.

The Clerk read as follows:

Amendment offered by Mr. FINDLEY: On page 3, after line 18, insert: "(6) The effect of imported food on United States producers, processors, and consumers".

Mr. HOEVEN. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I am glad to yield to the gentleman from Iowa.

Mr. HOEVEN. I understand that the gentleman from Texas [Mr. POAGE] is willing to accept the gentleman's amendment, inserted at the proper place, and I join in accepting the amendment.

Mr. FINDLEY. I thank the gentleman. I urge support of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. FINDLEY].

The amendment was agreed to.

(Mr. McLOSKEY asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. McLOSKEY. Mr. Chairman, I compliment the gentleman from Illinois for the introduction of this amendment and compliment the Chairman of the Agriculture Committee for agreeing to same.

To those of us who are representing agriculture districts, and specifically those who represent areas where livestock feeding is so important, this amendment means a great deal.

We have been concerned for months by depressed cattle prices and I am most pleased that this new Commission will now include in its study, the effects of beef imports on contributing to this problem.

It is my hope that when the Commission completes its findings it will make specific recommendations whereby this Congress may pass intelligent and useful remedial legislation.

AMENDMENT OFFERED BY MR. SMITH OF CALIFORNIA

Mr. SMITH of California. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SMITH of California: On page 3, line 16, after the word "services" insert a comma and add the following language: "including the dissemination of market news".

The CHAIRMAN. The gentleman from California [Mr. SMITH], is recognized for 5 minutes.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. SMITH of California. I yield to the gentleman from Texas.

Mr. POAGE. I should like to accept the gentleman's amendment. I should like to ask if he did not intend to put a comma at the end of the phrase, simply as a matter of mechanics?

Mr. SMITH of California. So far as I am concerned, if grammatically the gentleman believes that to be correct, it is all right with me. I believe the comma is not necessary, but I am perfectly willing to have a comma there.

Mr. POAGE. I suggest that be done.

Mr. SMITH of California. I ask unanimous consent that be done.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. POAGE. Mr. Chairman, so far as the committee members are concerned, it is a perfectly proper amendment.

Mr. SMITH of California. I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the Chair,

Mr. CHARLES H. WILSON, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the resolution (H.J. Res. 977) to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer, pursuant to House Resolution 737, he reported the resolution back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered. Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the joint resolution.

The joint resolution was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the joint resolution.

The question was taken, and the Speaker announced that the ayes appeared to have it.

Mr. BEERMANN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. The Chair will count.

Mr. BEERMANN. Mr. Speaker, I ask unanimous consent to withdraw my point of order.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

The SPEAKER. The question is on the passage of the joint resolution.

The joint resolution was passed.

A motion to reconsider was laid on the table.

Mr. POAGE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (S.J. Res. 71) to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer.

The Clerk read the title of the resolution.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the joint resolution, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) The President shall designate a Chairman from among the members of the Commission.

(c) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(d) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes, or public policy, the organization of farming and other food production and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power among Federal agencies as well as their desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer

oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraph (3) and (4) above; and

(6) to pay the witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of business, except as otherwise provided.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) Without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, the Chairman of the Commission is authorized to appoint and fix the compensation of an executive director, and the executive director, with the approval of the Chairman, is authorized to appoint and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of

General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46e) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission.

(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

Mr. POAGE. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. POAGE: Strike out all after the resolving clause of Senate Joint Resolution 71 and insert the provisions of H.J. Res. 977 as passed.

The amendment was agreed to.

The joint resolution was ordered to be read a third time, was read the third time and passed.

A motion to reconsider was laid on the table.

A similar joint resolution (H.J. Res. 977) was laid on the table.

Mr. POAGE. Mr. Speaker, I ask unanimous consent that the House insist on its amendments to Senate Joint Resolution 71 and ask for a conference with the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The SPEAKER. The Chair appoints the following conferees: Messrs. COOLEY, POAGE, ROSENTHAL, HOEVEN, and DAGUE.

GENERAL LEAVE TO EXTEND

Mr. HOEVEN. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to extend their remarks on House Joint Resolution 977 as passed.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

STATES' INHERENT RIGHT TO TAX INCOME

(Mr. HAGAN of Georgia asked and was given permission to address the House for 1 minute.)

Mr. HAGAN of Georgia. Mr. Speaker, a major problem confronting State governments and the business community is the lack of more uniform methods of allocating and apportioning multistate income. The States have an inherent right to tax income derived from sources within their respective jurisdictions and the business community has a right to some uniform basis of tax accounting to the States in which it does business.

Mr. Fred L. Cox, director of income taxes for the State of Georgia, and a nationally recognized authority in this field, has prepared what I believe to be a fair and equitable apportionment

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued June 8, 1964
For actions of June 5 and 6, 1964
88th-2nd; Nos. 112 and 113

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HIGHLIGHTS: Sen. Magnuson spoke in support of food marketing study bill. Sen. Sparkman introduced and discussed bill to extend housing loans for elderly in rural areas. Sen. Cotton urged enactment of omnibus transportation bill.

SENATE - June 5

1. **FOOD MARKETING.** Conferees were appointed on S. J. Res. 71, to provide for the establishment of a bipartisan National Commission on Food Marketing of 15 members to make a study of the food industry from the farmer to the consumer. House conferees have already been appointed. Sen. Magnuson spoke in support of this measure and stated that there was not a great deal of disagreement between the two Houses over the measure. pp. 12393-4
2. **PERSONNEL.** Sen. Williams, Del., spoke in support of his resolution to provide for an investigation of political fundraising among Federal employees and inserted an article critical of this alleged practice, including reference to Rep. Nelsen's charge of fundraising among REA employees. pp. 12363-4
3. **PUBLIC WORKS.** Sen. Miller submitted an amendment intended to be proposed to S. 1856, to increase the authorization to carry out the Public Works Acceleration Act, which would modify the definition of rural areas under the Act. p. 12353
4. **ALASKA RELIEF.** Sen. Gruening submitted an amendment intended to be proposed to S. 2881, to amend the Alaska Omnibus Act so as to provide assistance to Alaska

for reconstruction of the earthquake damage. p. 12355

Sen. Gruening charged that loans are made under the foreign aid program at a lower rate of interest than the interest rate on loans to Alaskan earthquake victims and inserted a summary of certain foreign loans made by AID. pp. 12403-7

5. INTEREST RATES. Sens. Robertson and Douglas discussed the merits of S. 750, to require the disclosure of interest rates on loans. pp. 12360-2
6. WATER RESOURCES. Sen. Hart spoke in support of his proposal for a joint study by the U. S. and Canada on the feasibility of diverting additional water into the Great Lakes and inserted several letters, including one from this Department, discussing possible solutions to the problem. pp. 12366-7
7. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill (pp. 12351-2, 12353-5, 12371-85, 12386-93, 12395-403). Sen. Dirksen inserted "an annotated copy of the House bill, showing by black brackets and italics matter deleted and matter inserted" (pp. 12371-81).
8. EXPORT CONTROL. Received from Commerce Department a report on export control for the first quarter of 1964. p. 12352
9. VEHICLES. Received from the Attorney General a proposal to authorize the expenditure of appropriated funds for insurance covering the operation of motor vehicles in foreign countries; to Foreign Relations Committee. p. 12352
10. FORESTRY; PERSONNEL. Received from this Department a proposal to validate certain over-payments made to Forest Service firefighter crews from New Mexico and Arizona; to Judiciary Committee. p. 12352
11. POVERTY. Sen. Hart inserted an article, "Mr. Johnson's Chance of Greatness," commending the President, particularly his proposals to combat poverty. pp. 12367-8
12. ELECTRIFICATION. Sen. Hruska inserted and commended some of the winning entries in the annual Nebraska Rural Electrification Essay Contest sponsored by the Nebraska Rural Electric Association. pp. 12370-1

SENATE - June 6

13. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill. pp. 12425-28, 12439, 12443-4
14. TRANSPORTATION. Sen. Cotton reviewed the "problem of illegal trucking" and urged enactment of S. 2796, to strengthen and improve the national transportation system. pp. 12448-9

ITEMS IN APPENDIX

15. AWARDS; PERSONNEL. Extension of remarks of Sen. Neuberger stating that "Oregon is proud of the outstanding record made by Howard Bertsch," and inserting an article, "Howard Bertsch Gets Coveted Department of Agriculture Award." p. A3031
16. AREA REDEVELOPMENT. Extension of remarks of Rep. Teague inserting a letter written by the director of the Texas Agricultural Extension Service, in an effort to set the record straight regarding charges made by the Reader's

even greater effectiveness to the field covered by title VII in the pending proposed legislation, because title VII applies to the entire private enterprise system from one end of the Nation to the other, and is only the beginning of encroachment, which under State FEPC laws has come down to affect very much smaller businesses than the smallest ones which would be affected under the present title VII, which would be, within a short time, businesses that have 25 employees or more.

I hope that the leadership will listen to the wise counsel and the determined position of the distinguished Senator from New Hampshire. I hope that at least in respect of the two items mentioned, that is, the item dealing with the right of jury trial in criminal contempt proceedings and the one dealing with the elimination or the reduction in coverage of title VII or the reduction in the enormity of its departure from the American system. I hope that if anything is done in that field, another field might be added for early action prior to the cloture vote. I merely advance for the consideration of the distinguished Senator the proposal to eliminate that provision, which was section 302 in the original bill, and which has now become a later section in another title, under which practically all that was involved in title III of the 1957 legislation is incorporated in the bill, in that the Attorney General would be allowed to intervene in any private suit brought by any individual in the field of civil rights in which he saw fit to intervene. The Attorney General would be entitled to intervene in such a suit in the name of the Federal Government, with all the rights that he would have had in the event he had been able to initiate that suit originally himself—meaning the full right to use criminal contempt procedures in the way that it is proposed to use criminal contempt under the bill.

I so thoroughly appreciate the candor and the courage of the distinguished Senator that I would not have been satisfied without making these brief remarks. I compliment him warmly. May his shadow increase, and may his conviction as he has voiced it on the floor of the Senate, produce some real results.

Mr. COTTON. I thank the distinguished Senator for his very kind comment. I yield the floor.

BABY BLANKET BILL

Mrs. NEUBERGER. Mr. President, last February the Federal Trade Commission decided that infants' receiving blankets were not "wearing apparel." The consequence of this decision was that such blankets could be made of highly flammable substances because they were outside the protection of the Flammable Fabrics Act. I did not agree with the action of the Commission and took the floor of the Senate to comment on their singularly inane conclusion. I quote from my speech of that day:

One can readily conjure up the image of the new mother, her baby wrapped in a flammable blanket under one arm, stirring a pot over an open gas stove, sitting by a log fire, or smoking a cigarette—unfortunate

practices, but by no means rare. It is disturbing, to say the least, to realize that in each such case there now exists—and will continue to exist—a grave risk to the infant's young life.

Rather than allow this incendiary madness to be perpetuated by bureaucratic bungling, I introduced S. 2574. This Neuberger bill amended the Flammable Fabrics Act so as to extend the protection provided by the act to infants' receiving blankets. The bill was referred to the Senate Commerce Committee and as is usual with legislation, the views of the relevant Federal agencies were solicited.

In light of the earlier deliberations and findings of the Federal Trade Commission, I found the reply from the Chairman of the Commission, Mr. Paul Rand Dixon, of particular interest. I ask unanimous consent that a copy of the letter to the Senator from Washington [Mr. MAGNUSON], chairman of the committee, be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FEDERAL TRADE COMMISSION,
Washington, D.C., June 2, 1964.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request of March 2, 1964, for our views concerning S. 2574, 88th Congress, 2d session, a bill "To amend the Flammable Fabrics Act so as to extend the protection provided by such act to infants' receiving blankets."

The proposed bill would have the effect of classifying infants' receiving blankets as wearing apparel so as to make them subject to the provisions of the Flammable Fabrics Act (15 U.S.C. 1191, et al.).

Tests by the Federal Trade Commission have proven that these articles are highly flammable and except when worn immediately after laundering would, under the tests provided in the Flammable Fabrics Act, be deemed dangerous when used as a form of clothing for a newborn baby.

The Commission endorses this legislation and recommends its enactment.

Very truly yours,

PAUL RAND DIXON,
Chairman.

MISREPRESENTATION OF FACTS DURING CIVIL RIGHTS DEBATE

Mrs. NEUBERGER. Mr. President, among the many pieces of mail I get each day during the civil rights debate, I find a great deal that is a misrepresentation of the facts. Much of it I am able to discard and just consider the source. But this week I received a newspaper which is particularly flagrant in its dallying with the truth. This is a little sheet called Common Sense. It is published by the Christian Education Association, 530 Chestnut Street, Union, N.J. It bears as its motto on the front page, "The Truth, the Whole Truth, and Nothing but the Truth," and being a Christian organization, I would think it would adhere particularly to its premise. Nevertheless, the issue for March 15 carries a picture with the heading "U.N. 'Peacc' Agitator." The caption under the picture says, "Al Levenstein,

United Nations delegate from South Africa, photographed while stirring up Negroes, March 7, 1960, in Montgomery, Ala. This Jew, a citizen of a foreign country, toured the South sowing discord and hate among our citizens. As the protocols state, Jews will turn classes and races against each other so that confusion reigns while Marxists spring the trap, as they have done throughout the Communist world."

Now, the fact is, Mr. President, that I know the man pictured. He is not Mr. Levenstein. A misspelling of his name could be an accident, but a telephone call to the United Nations brings forth the information that they do not have and never did have a delegate from South Africa by this name, even though the caption identifies him thus. In addition, it would seem incongruous that any delegate from South Africa would be urging Negroes to "demand their rights" when that is the antithesis of the treatment they receive in South Africa.

Many of our citizens are likely to be deceived by such distortions.

NATIONAL COMMISSION ON FOOD MARKETING

Mr. MAGNUSON. Mr. President, the Senate Committee on Commerce, under the able leadership of the Senator from Wyoming [Mr. McGEEL] held a series of hearings on the problem of food marketing in the United States. Specifically, the Senator from Wyoming directed the hearings toward the problems of meat marketing and meat prices as related to marketing practices and the consumer. However, it developed during the hearings that it was only a small facet of the marketing problems in the United States in relation to protection of the consumer and also with respect to the overall problems of free enterprise marketing of food.

So the committee decided it would support a Senate joint resolution (S.J. Res. 71). I believe other resolutions relating to marketing have been introduced in the Senate.

The distinguished Senator from Michigan [Mr. HART], who is present in the Chamber, has long been active in the problem of fair packaging and related problems, which run the whole gamut of marketing in the United States.

Some weeks ago the President of the United States suggested the establishment of a Commission on Food Marketing, but it would be merely an administrative commission and would probably devote itself to the general proposition rather than to specific aspects of the problem.

The Committee on Commerce decided to introduce and sponsor a joint resolution (S.J. Res. 71) which would by law establish a National Commission on Food Marketing. The Commission would would broad responsibility to go into the matter of marketing practices in the United States and study the food industry from the producer to the consumer. This necessity seems to be dictated in view of some of the testimony produced before the Senate committee.

In the House, four or five resolutions of a similar nature were introduced by

Members of the House from both parties, Republican and Democratic. The House took a great interest in this matter.

Under the able leadership of the Senator from Wyoming [Mr. McGEE] and the Senator from Michigan [Mr. HART], as well as other Senators who have long been concerned with this problem, the Senate passed Senate Joint Resolution 71, which would establish a National Commission on Food Marketing to study the food industry from the producer to the consumer.

The House thought it so important that the inquiry take place that it proceeded, almost simultaneously with the Senate, to combine the measures introduced in that body, but ended by adopting a resolution similar to Senate Joint Resolution 71.

Yesterday afternoon, after a quite lengthy debate, the House passed the measure, practically unanimously, so far as I can ascertain from reading the RECORD.

We feel that this matter is so important that we should proceed immediately to consider the subject, and urge that we get together with Members of the House and try to reach an agreement on the resolution, as to which there is not a great deal of disagreement.

Mr. President, before the clerk reads the House message, let me say that actually the Senate is not in great disagreement with the House on the resolution. This seemed to be the more practical way to speed the inquiry. We shall hold the conference as soon as possible and proceed with it. We shall work with anything the President has suggested in the way of an administrative commission. I am sure that not only will the American public, from the producer to the consumer, be benefited by the inquiry, but that some practices which obviously and patently are bad practices of marketing, which affect the consumer and producer, the two ends of the complex marketing system in the United States, will probably be corrected.

I am sure that the most of the bad practices will be corrected voluntarily by all those engaged in this great segment of the American economy.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the joint resolution (S.J. Res. 71) to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer," which was, to strike out all after the resolving clause and insert:

That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency;

(5) The effectiveness of the services including the dissemination of market news, and regulatory activities of the Federal Government in terms of present and probable developments in the industry; and

(6) The effect of imported food on United States producers, processors, and consumers.

(b) The Commission shall make such interim reports as it deems advisable, and it shall make a final report of its findings and conclusions to the President and to the Congress by July 1, 1965.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry

is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use; except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as herein otherwise provided.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—

(a) The Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and the executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The executive director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations

of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further*, That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(b), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

Mr. MAGNUSON. Mr. President, I move that the Senate disagree to the amendment of the House of Representatives to Senate Joint Resolution 71 and agree to the conference requested by the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Washington.

The motion was agreed to; and the Presiding Officer appointed Mr. MAGNUSON, Mr. MCGEE, Mr. HART, Mr. MORTON, and Mr. BEALL conferees on the part of the Senate.

Mr. MAGNUSON. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

[No. 272 Leg.]

Aiken	Gore	Morse
Bartlett	Gruening	Morton
Bayh	Hart	Mundt
Beall	Hartke	Nelson
Bennett	Hickenlooper	Neuberger
Burdick	Hill	Pell
Byrd, W. Va.	Humphrey	Proxmire
Cannon	Jordan, N.C.	Scott
Carlson	Jordan, Idaho	Smith
Case	Keating	Sparkman
Clark	Kennedy	Stennis
Cooper	Lausche	Thurmond
Cotton	Magnuson	Walters
Dirksen	Mansfield	Williams, N.J.
Dodd	McGovern	Williams, Del.
Douglas	McIntyre	Young, N. Dak.
Edmondson	Metcalf	Young, Ohio
Fulbright	Miller	

The PRESIDING OFFICER. A quorum is present.

TALOFA—A TRIBUTE TO YOUNG AMERICAN VISITORS FROM AMERICAN SAMOA

Mr. MANSFIELD. Mr. President, the Nation's Capital and the Capitol Building of the United States were indeed fortunate today in that there were among their visitors a group of young Americans from American Samoa. These youngsters range in age from 14 to 18. They are wonderfully trained in the traditional music and dancing of Samoa and they have been appearing at the New York World's Fair. They were given today off and took that opportunity to visit the Capital and to see, insofar as they could, what makes the wheels of Government work.

It was a great pleasure to meet with them and their outstanding teachers and leaders. Listening to their music and their singing, and watching their danc-

ing, I experienced a feeling of more harmony in those few brief moments than has existed in the Senate Chamber in the past 3 months. They are an eager and splendid group of youngsters who are devoted to their island and to this country. They belong to a people who are trying to help themselves through financing various projects in the beautiful islands on which they live. Recently, the arrangements have been made for building of a hotel which will be off the Pan American airstrip in Pagopago. They are doing other things to make themselves financially sound and viable and to keep Samoa, Samoa.

It was fortunate for us that this group of high school students from almost 8,000 miles away saw fit, on their day off from their performance at the Polynesia Pavilion at the World's Fair, to come to Washington, D.C., to meet some of the people here and obtain at least an elementary firsthand understanding of what makes the wheels of Government go round.

I have been very much impressed by the people of Samoa. A year ago last December, in company with former Senator Ben Smith, of Massachusetts; Senator Claiborne Pell, of Rhode Island; and Senator Caleb Boggs, of Delaware, I had an opportunity to visit Governor and Mrs. Lee in American Samoa, and to become acquainted for the first time with these warm, friendly, and most sincere people who are a credit to this country of which they are a part. They went out of their way to show us the utmost of hospitality. I hope that we did all that we could today in that respect by way of returning the consideration they showed us.

It was a distinct honor and privilege to have the opportunity to participate with, to meet, and to hear these youngsters who form such an integral and interesting part of America in the Pacific area, 8,000 miles away. Incidentally, this is an American high school group which has come the farthest to visit the Nation's Capital, even though they had to do so by way of the World's Fair. I understand they will be at the fair through the season. My guess is that before it is over, Continental Americans are going to discover through them the delightful customs and people of these charming South Pacific islands of the Nation and will want to visit Samoa in great numbers.

CIVIL RIGHTS ACT OF 1963

The Senate resumed the consideration of the bill (H.R. 7152) to enforce the constitutional right to vote, to confer jurisdiction upon the district courts of the United States to provide injunctive relief against discrimination in public accommodations, to authorize the Attorney General to institute suits to protect constitutional rights in public facilities and public education, to extend the Commission on Civil Rights, to prevent discrimination in federally assisted programs, to establish a Commission on Equal Employment Opportunity, and for other purposes.

Mr. WILLIAMS of New Jersey. Mr. President, several weeks ago I pointed

out that this filibuster is the longest filibuster in the history of the Senate. At that time, I said I would support a cloture motion whenever one was filed. The distinguished majority leader is now circulating a petition, which he intends to file on Saturday of this week. I am proud to say that I have signed that petition, along with nearly 40 of my colleagues, and I urge other Senators to add their names to the growing list.

There is a rising tide of feeling in the country in support of this legislation, and that tide cannot be held back by a few Senators who have been trying for weeks to dam up the legislative process. The dam is going to burst because the stream of history and progress cannot be held back indefinitely by men whose views are as outdated as the Senate rules they use to protect them.

The people of this country look to the Senate for leadership. They expect Congress to act, not merely as a body responsive to the wishes of the executive branch, but as the originator and initiator of action. Not only has the Senate failed to initiate; it has also failed to respond. Human nature is not so complicated that Senators cannot understand that the demand for action outweighs the eloquence of empty words. This Chamber has been filled for weeks—for months—with empty words; but no action has been taken.

Senators are asked to sign a cloture motion, not necessarily because they support every provision of the civil rights bill now before us, but because they wish to see this bill voted on by the Senate. I have no hesitation in reaffirming my strong support of this sound and necessary bill, and I ask Senators who may not favor some provisions of the bill to support a cloture motion, so the Senate may at least act on this bill, one way or the other.

The problem before us has been a long time coming. The rights of Negroes have been denied and trampled on for hundreds of years. The Emancipation Proclamation, issued 100 years ago, has never been implemented. Our Negro citizens do not have complete freedom to enjoy the benefits and opportunities which the majority in this country enjoy and take for granted. They cannot get the jobs for which they are qualified. Their children cannot attend schools where they could receive the educational training and opportunities afforded to white children. They cannot stop for a rest in a motel, or eat at a lunch counter, or use libraries or public parks or playgrounds. These deprivations are not new; they have been in practice for many years. What is new is the attitude of the Negroes throughout the country. They have served notice that 100 years is a long time to wait for freedom. I agree. Millions of Americans have become conscious, for the first time in their lives, of the extent to which the constitutional rights and privileges of their fellow citizens are being denied and abridged. Having become conscious that the denial of rights guaranteed to all citizens raises not only a legal question, but also a moral question, the American people have responded with a demand that these grievances and injustices be corrected.

That demand has been laid at the door of the Senate. The other body, by an overwhelming vote, passed this bill and fulfilled its responsibility. The issue is now before us; it has been before us for months. While a revolution rages throughout the country, while citizens petition us for aid in restoring to them what is rightfully theirs, the inaction of the Senate threatens, at any moment, to precipitate a national crisis.

I repeat that this civil rights bill has been laid at the door of the Senate; and now we must take up that bill, and vote on it; or else this body must accept responsibility for the failure to prevent a crisis which will most assuredly materialize if we do not act. The revolution that may come will divide this country, brother against brother; and that cruel and senseless division may not be repaired for years to come.

On the eve of another revolution, the American Revolution, Thomas Paine wrote that "these are the times that try men's souls." Those words ring true today. The American Revolution was fought because, as Thomas Jefferson said, the petitions of the American colonists for a redress of grievances had been rejected by the British, because the British Parliament had failed to listen to the reasonable demands of the colonists and to take action which might have forestalled the Revolution. We should be wise enough to learn from the mistakes committed by others. If history has a lesson for us, it is that we here have a duty and an obligation to deliberate upon the requests of our constituents, and then, acting in accord with our individual consciences, to vote on those requests. To do otherwise can only lead to the total breakdown of the legislative process and to an erosion of the faith in democratic government.

I do not wish to dwell on the subject of what may happen if this bill is not passed. I am not a prophet of gloom, and it is not my intention to suggest that any bill should be passed because of threats of possible violence if it is not passed. But I think that it is time for some of us in this body to face the facts. The demand for civil rights will not die; it will not go away. The problem before us will not disappear because we refuse to face it.

Currently, there is a great deal of talk in the Senate about closing off debate. But closing the debate will be only the beginning, the first step which must be taken before the various sections of this bill can be amended and voted on. The truth of the matter is that passage of this civil rights bill will be only the first step toward solving the problems of discrimination and injustice. Passage of the civil rights bill will not solve all the problems of our Negro citizens, but it will be a beginning. Rather than thinking in terms of ending the debate, Senators should be thinking in terms of beginning to solve the problems of restoring civil rights to the Negro population. That is the real purpose of a cloture motion on this bill.

Every day I receive hundreds of letters from citizens in New Jersey who realize this fact. They believe that this bill can-

not be passed without a cloture vote and that unless the bill is passed, the problems cannot be solved. Church leaders, businessmen, labor organizations, and private citizens have demonstrated their courage and their convictions by standing up to be counted among this bill's supporters. When so many citizens are willing to suffer the slings and arrows of criticism directed against them by those with little faith in humanity, how can Members of the Senate fail to summon their courage and to stand up and be counted on this historic issue?

Mr. President, I pay tribute to some of the leaders of our communities who have expressed to me their support of the civil rights bill. I ask that letters, petitions, and resolutions which I have received from these community leaders be printed in the RECORD. The first ones I shall submit, all from members of the clergy, are unanimous in their support of the civil rights bill.

I wish to read certain of the letters included in the group, as follows:

THE LAKEVIEW PRESBYTERIAN CHURCH,
Paterson, N.J., May 29, 1964.

DEAR SENATOR WILLIAMS: May you be assured of support from your fellow Americans in the desire for a strong civil rights bill, and may you pursue that end.

Twenty-five years hence your countrymen will look to you with reverence for writing and acting upon the greatest document for the dignity of man in our age. Please do not give us a watered down bill that fails to serve the goals Americans are striving for.

In all the trivia that you are confronted with, be assured that our history dictates the story of a people who have risen above the pettiness of shortsighted standards, and has absorbed into her life all the problems and tensions of social change successfully in time.

Sincerely,

THOMAS SEATER WARD.

Now I shall read a letter from St. John's Episcopal Church, of Passaic, N.J.:

RESOLUTION FROM THE RECTOR, WARDENS, AND VESTRY OF ST. JOHN'S EPISCOPAL CHURCH, PASSAIC, N.J., TO THE SENATOR FROM NEW JERSEY HARRISON A. WILLIAMS

Whereas the presiding bishop of the Protestant Episcopal Church in the United States of America, the Anglican Congress of the Worldwide Anglican Communion, and the bishop of the diocese of Newark, N.J., in obedience to the Gospel and in response to God's action in the world today, have exhorted us as Christians and as Americans to heal our sinful racial divisions; and

Whereas the Senate of the United States of America is presently engaged in debate on H.R. 7152, known as the civil rights bill: Therefore be it

Resolved, That the Senator from New Jersey, HARRISON A. WILLIAMS, be petitioned by the rector, wardens, and vestry of St. John's Episcopal Church in Passaic, N.J., to bring debate on the civil rights bill to a speedy close so that the provisions of this bill may be soon voted upon; and be it further

Resolved, That the Senator from New Jersey, HARRISON A. WILLIAMS, be encouraged to work actively for the passage of the civil rights bill without weakening amendments. Respectfully submitted.

MARIAN COOK,
Clerk of the Vestry.

Mr. President, I have indicated to them that I will do, and that I have done, all I could to work actively for Senate passage of the civil rights bill, without weaken-

ing amendments; and I have submitted an amendment which I believe substantially strengthens the bill. Later, I shall discuss this amendment, which deals with voting rights. This amendment will extend the provisions of the bill, as they apply to voter qualifications, not only to Federal elections, but to all elections. I am convinced that is within the meaning, the spirit, and, indeed, the letter of the Constitution.

From Rev. William C. Bennett, pastor of the Athenia Reformed Church of Clifton, N.J., I received the following letter:

DEAR MR. WILLIAMS: May I first say how much I appreciate the difficulty any assembled body such as our Congress has trying to interpret what is best for our entire Nation, and in no way am I trying to say what is best to do sitting here in my community, but I hope that you will be given all the strength and insight to bring about the best Civil Rights Act.

You and I fully know that the act in itself is not going to solve the problem, but at least it will give us a basis from which to work from the legal point of view. I hope in the end that it will be the spirit of the law and not the letter of the law that will make the Civil Rights Act most meaningful for all mankind in this Nation of ours.

It is true as you well know that all the people here in the metropolitan area of New York are not agreed on civil rights, but I feel most strongly as one man before God that all men must have equal opportunity to worship, to work, and to live with freedom as long as they are willing to carry out their responsibilities.

Sincerely yours,

WILLIAM C. BENNETT.

The following letter comes to me from Rev. Warren W. Lane and his wife, Virginia P. Lane, of Princeton, N.J.:

DEAR SENATOR WILLIAMS: As citizens of this country and of New Jersey, we urge and encourage every effort which may lead to the speedy enactment of the civil rights bill (H.R. 7152) in as complete a form as possible.

We feel that from simple human justice we cannot continue to withhold from others rights which we take for granted for ourselves. In this situation, where almost anything is too little and too late, we encourage you to uphold in full the provisions of the bill as passed by the House. Both the fair employment and public accommodation sections should be passed without amendments which would substantially weaken them.

In our opinion, it is essential, at this time when Negroes increasingly feel that more and more violent protests are necessary to achieve their just goals, that the Senate, who must now represent the whole people, assure Negroes as soon as possible that they can get justice through the orderly processes of government. We therefore urge that since there has been ample time for debate on the bill, should it become necessary to proceed to voting, you support a cloture motion in the immediate future.

We assure you of our concern for your work and of our confidence in you and your fellow Senators in these crucial issues.

Sincerely yours,

WARREN W. LANE.
VIRGINIA P. LANE.

Mr. President, those are illustrative of the scores—indeed hundreds—of letters that I have received. I suppose that the hundreds have mounted into the thousands since the debate has been underway for such a very long time in the recordbreaking but bad historymaking debate on an issue and a subject that should have been decided long, long ago.



Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued June 15, 1964
For actions of June 12 and 13, 1964
88th-2nd; Nos. 118 & 119

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HIGHLIGHTS: Sen. Magnuson urged Senate concurrence in House amendment on food marketing study measure. Sen. Ellender announced hearing on food stamp bill next Thurs. Sen. Hart supported poverty proposal. Sen. Williams, Del., criticized AID loans for foreign poultry production. Sen. Tower inserted article criticizing Federal subsidies to cotton mills.

SENATE - June 12

1. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill (pp. 13162-73, 13174-91). By a vote of 22 to 67, rejected an amendment by Sen. Russell for a national referendum on the bill (pp. 13174-84).
2. FARM PROGRAM. Sen. Young, N. Dak., stated that "there is no other segment of our national economy that has been more maligned and misrepresented by almost every publication than the farm economy," and inserted a U. S. News & World Report article commending the farm industry. pp. 13121-2
3. FOOD MARKETING. Sen. Magnuson moved that the Senate concur in the House amendment to S. J. Res. 71, to establish a National Commission on Food Marketing to study the food industry, but no action was taken on the motion. pp. 13158-60
4. POVERTY. Sen. Hart commended and urged support for the President's proposals on poverty and inserted an article discussing conditions of poverty in certain

areas. pp. 13156-8

Sen. Lausche inserted a constituents letter critical of the President's poverty proposals. p. 13137

5. FOOD STAMPS. Sen. Ellender announced that the Agriculture and Forestry Committee will begin hearings on the food stamp bill Thurs. p. 13192
6. FISCAL POLICY. Sen. Javits inserted the statement of the Republican Critical Issues Council of the Republican Citizens Committee on Federal fiscal policy. pp. 13114-9
7. FOREIGN TRADE. Sen. Dominick inserted an article, "International: Nationalism and French Foreign Policy," critical of French foreign policy, particularly its influence on the trade policies of the European Common Market. pp. 13126-7
8. CCC. Received from the President the annual report of CCC for fiscal year 1963. p. 13099
9. EXPORT-IMPORT BANK. Received from the Export-Import Bank a report "on the issuance by that bank on June 4, 1964, of guarantees with respect to certain transactions." p. 13100
10. ELECTRIFICATION. Sen. Gruening reviewed and inserted several items discussing the electric power potential of Alaska. pp. 13109-12
Sen. Pearson commended the Kan. Rural Electrification Association's sponsorship of a youth tour of Washington, D. C. p. 13137
11. DISASTER RELIEF; LOANS. Sen. Gruening inserted an American Legion statement favoring lower interest rates on loans by the Small Business Administration for reconstruction in Alaska. p. 13114
12. ECONOMY. Sen. Javits inserted an address by the Chairman of the Federal Deposit Insurance Corp. discussing current economic conditions, "Political Economy - The Need For a New Look." pp. 13119-21
13. AIR POLLUTION. Sen. Muskie inserted an address by the mayor of St. Louis, Mo., discussing problems of air pollution. pp. 13124-6
14. RECREATION. Sen. Metcalf inserted a memorandum by Federal Highway Administrator Rex F. Whitton stating that conservation of recreation resources will be considered in the future highway plans and surveys. pp. 13127-8
15. PESTICIDES. Sen. Dirksen criticized the recent statement of the Public Health Service on the causes of the death of fish in the lower Mississippi River and inserted an editorial critical of the hearings conducted by the Service on the matter. pp. 13186-7

HOUSE - June 12

16. WATERSHEDS. The Subcommittee on Conservation and Credit of the Agriculture Committee "approved seven watershed projects." p. D464

SENATE - June 13

17. POULTRY. Sen. Williams, Del., expressed concern over poultry industry problems "as a result of the increased tariffs in the European Common Market," and criticized AID loans for foreign poultry production. pp. 13199-200

slashed through the mountainside. Suddenly the reason for the confused unreality snapped sharply into focus: it was the tremendous contradiction between being in a car loaded with food and clothing for people suffering poverty and traveling along a magnificent road that blotted out everything but its own overwhelming grandeur. I was reminded of Detroit and its network of expressways. There, too, drivers flash by slums daily—and never notice them.

In contrast to the monotonous flat land of Michigan and Ohio, majestic mountain ranges loomed a deep purple ahead of us. This too, this beauty of nature surrounding us, defied all thoughts of poverty and its ugliness. But we knew this would come later, and so we marveled as the mountains enveloped us.

At a point only 87 miles from Hazard, we finally left the dual highway. The road to Hazard is more in keeping with those I remembered back in West Virginia, where I had worked for 10½ years as a coal miner before coming to Detroit. The narrow road wound around perilously steep hills, often curving a full 180 degrees. This road hid nothing, and now we were seeing evidence of the poverty.

APPALACHIA LONG DEPRESSED

It must be remembered that coal-rich Appalachia, sprawling from Pennsylvania down through West Virginia, Kentucky, North and South Carolina, Georgia, Tennessee, and Alabama, has been in a state of chronic economic depression since 1950, the year automation was introduced into the mining industry.

Miners were the first to raise their voices in protest to automation. They saw the machines come in and the men go out. Not all at once, but gradually, a little more each year. They protested in vain, for automation, gorging on fantastic increases of productivity (national average of 11 tons per man per day versus as much as 85 tons per man per day in automated mines) and reduced labor costs (two-thirds to three-fourths of the work force could be laid off) spread to engulf the whole of Appalachia. In its wake lay closed marginal mines, slashed work forces in mines remaining in operation—and a grinding poverty to plague families whose economic base had suddenly disappeared.

A decline in coal markets further aggravated the situation, along with the mushrooming of the strip-mining industry which requires fewer men and less expensive machinery than deep mines. Perhaps the enormity of the combined effect of these forces is best revealed in one comparison: in 1950 there were some 450,000 miners; today there are about 120,000.

No place was hit harder than southeastern Kentucky, a fact which became ever more obvious as we neared Hazard. Sagging tarpaper-roofed shacks, with outhouses standing like sentinels by each, dotted the hill-sides.

CAR BODIES EVERYWHERE

Curiously, car bodies of various vintage and partially stripped could be seen everywhere: along the roadside, beside almost every shack, along the Kentucky River's shore which bordered the road, up on hill-sides and down in chasms. We later learned that as the economic squeeze tightened, leaving no money for even food, the cars were simply parked and stripped of salable parts.

In sharp contrast to the shacks appeared occasional beautiful modern homes, with brick or stone siding, large picture windows, and two or three new cars parked in driveways. These, we were told, were homes of coal operators, owners of one or more of the many mines in the area.

Our destination was not Hazard proper, but a small community on the outskirts called Combs. There lived the family of Mr.

and Mrs. Charles Moore, the people with whom we had established contact.

Their house stood at the end of two rows of wooden frame houses separated by a dirt road, deeply rutted, full of craters, and now a sea of water and mud from a recent rain. But we sloshed, heaved, and scraped our way through in our car to the front of the house.

At the door, we were met by the wife, Lola, who welcomed us with a warm friendliness. The pile of food and clothing seemed like a substantial amount when it was in our stairway in Detroit, but as we unloaded the car to line a wall in her bedroom, it had already shrunk in comparison to the need we had seen. Lola explained that they had a local union hall where large truckloads were delivered for distribution, but that her home often served as a way station for loads of our size.

Over a cup of coffee and a bologna sandwich (we had brought food with us, but could not eat it realizing that every mouthful we had literally would be depriving someone else), Lola answered questions and described the desperation of the people. Her husband, she explained, was attending a meeting of unemployed miners who were always busy trying to find ways to get aid into the area.

CONDITIONS DRAW STUDENTS

One of the most interesting developments Lola related is the very close rapport established between the unemployed miners and idealistic college students who have been drawn there in response to national publicity about the area. Over 100 such students—some staying a few days, others spending 2-week holiday vacations, and still others voluntarily interrupting their educations to devote full time to help in the area—have come from widely scattered campuses.

When Lola's husband returned, we learned that Charles Moore is a leader of the unemployed miners, ranking with more widely known Berman Gibson in the respect he commands. A veteran of World War II, Moore had had the right side of his back blown off by shrapnel from an exploding enemy grenade in battle. Returning to work in the mines after his discharge, his weakened back eventually gave way. Operations could not restore his back to withstand the heavy physical strain required in his work. He was forced to leave the mines, but always maintained his union membership in good standing and participated actively in his union's affairs.

Fortunately for Charles and other miners, the United Mine Workers Union had established a chain of 12 hospitals in medically isolated regions of Kentucky, West Virginia, and Virginia. Six of these were erected in Kentucky at a cost of \$21 million, one of them at Hazard.

WELFARE FUND BENEFITS

These hospitals were financed and staffed through the union's welfare fund, into which operators of unionized mines paid 40 cents for each ton of coal mined. This fund, first negotiated in 1947, provided money for the hospital program, as well as benefits to miners' widows and dependents, a pension of \$100 a month to retirees, unemployment benefits to injured miners, death benefits, and complete payment for all hospital and medical care of miners and their dependents.

The fund was a tremendous achievement. For the first time in the history of this Nation, men working in one of the most hazardous industries were provided with adequate and often lifesaving medical care.

But as the coal crisis deepened with each year, depleted welfare funds forced cutbacks in programs. Injury compensation was eliminated, followed by widow benefits and nonessential medical attention. In 1959 miners pensions were cut to \$75 a month, and the next year a fund ruling completely

eliminated fund benefits of all miners unemployed for 12 months or more.

The latter ruling dealt a devastating blow, embittering thousands of miners who had been unemployed for 2, 3, or more years. They had fought long and hard battles, marked by bitter strikes and deprivation, to win the fund and its benefits. Now, they suddenly found themselves and their families without any protection whatsoever.

The union strived vainly to stem the flow of area operators who canceled union contracts and reverted to nonunion operations. In Perry County, where Hazard is located, there had been nine union mines. The last union-operated mine there canceled its contract with the United Mine Workers this month.

CONFLICTING FORCES

As crisis followed crisis, strong passions were unleashed. Some men who had long been with the union, faced with starving families, returned to work. The instinct for self-preservation clashed head on with long-established traditions of unionism, splitting families and driving a deeper wedge between miners and operators.

And then came the final blow. Last year the UMW announced its decision to sell the six hospitals in Kentucky. The six hospitals, built at a cost of \$21 million, were sold to the State for \$3.7 million. The Presbyterian Church volunteered to administer the hospitals and maintain a semblance of medical service.

NO STAFF DOCTORS

According to Lola, who had worked for years as a dietician at the Hazard Hospital but resigned when it changed hands, there had been a staff of some 18 doctors, including interns, at the hospital. Now, she said, there is not one single doctor on the staff; only emergency cases are admitted; and one of three or four local privately practicing physicians must be called in to treat patients.

We saw the beautiful hospital, pictured here, and I could not help but feel some of the frustrations I knew the miners must feel every time they go by the hospital. With the destruction of the union went the destruction of all that had been achieved by the miners.

Moore told of men working for as little as \$3 or \$4 a day, and of one instance where a miner had worked for 60 hours 1 week and his take-home pay amounted to \$16.40. I asked how this could be when Federal law requires a minimum pay of \$1.25 an hour for all workers producing goods in interstate commerce, such as coal certainly is. He just smiled and shrugged his shoulders, "You know it, I know it, the men know it, and the operators know it," he said. "But just stick around a while, you'll learn and see a lot of things you wouldn't believe were possible."

The Moores invited us to stay with them. Their eldest of three sons at home was sent to stay with a neighbor, and they insisted on turning over their own bedroom to me and my wife. At 2 o'clock in the morning, Moore was awakened from his sleep. Six students had arrived from George Washington University in Washington, D.C., and he went to help find a place for them to stay.

We met the students the next day at a meeting we were invited to attend of a committee the unemployed miners established in January of this year to help coordinate and have voice in efforts designed to lift the economic blight in the area.

NO CREDIT UNIONS

No one I talked with knew of any credit unions in Hazard, and if anyone ever needed them, these people do. They would not solve all of their problems by any means, but they would have helped soften the hard blows staggering the people there.

After the meeting, where we were introduced along with the students and spoke

briefly of our mission there, Lola took us to visit a miner, his wife, and their 10 children. The outside appearance of the shack we were approaching served to prepare one psychologically to expect almost anything inside.

But as I stepped into the dark gloom of that suffocatingly hot room, the horrible impact of what was inside had the physical force of a sledge hammer blow. My first instinct was to run, to escape what was there. I now understood completely the story Moore had told the day before of a student visiting a miner's family on a hill and cracking up. The student refused to leave the place until something was done for the family, and had to be forcibly dragged out of the place.

WAITING SHROUD

As I stood there literally paralyzed my eyes became accustomed to the gloom that fought against the light coming through the open doorway. Figures seemed to emerge from the walls—gray figures, seeming almost lifeless. The only thing I could think of was that this gloom was a shroud, waiting patiently to claim the humanity it even now covered.

In this room crowded the family and a visitor, a relative. Several of the children were barefooted, others had on what were once shoes, but they now denied that description. Ravages of malnutrition were evident from skin diseases that blotched the natural beauty in the children's faces.

In the eternity that lasted a half hour or 45 minutes we were there, not once did a smile light the face of anyone in that family. The pictures speak much more forcefully than any words I could write.

THE 2-MONTH RUPTURE

What the pictures do not show, however, is a rupture the size of two adult fists that the youngest boy, 2 years old, had carried for 2 months at the time we were there. I fought back a powerful urge to scream as they showed the rupture to me, and the vision of that beautiful hospital—only 2 miles away—suddenly jangled in my mind. And I was reminded of Moore's words of the day before, that I would see things that I had not believed possible.

Lola talked to the mother, and got the 10 children's shoe sizes, but of the 30 to 40 pairs of shoes that we had brought with us, only 7 pairs could be found to fit.

One statement the mother made will probably haunt me always. Looking around at the surrounding poverty, in a half-apologetic, half-defiant tone, she said, "I know we don't have much, but we've been blessed with children." It just seemed impossible that anything there could be even remotely related to a blessing.

SLEEP CROWDED OUT

Sleep didn't come easily that night. Sleep was crowded out by accusing looks in the haunted eyes of children who no longer smiled; by the haggard lines of worry that transformed a mother of 30 to 35 years into an old woman long before her time; of the appeal in the eyes of a husband whose face also bore the scars of unending worry.

The next morning, Sunday, we awoke to a pouring rain. Planned visits were automatically canceled by the impassible condition of the dirt roads that were the only access to the people we had made arrangements to see.

By noon, the rainstorm had grown in fury, and we all decided it would be wise for us to leave if we didn't wish to be stranded there—possibly for days. It rained all of the way back to Detroit, but nothing could ever wash away what we had experienced.

EXPLANATION OF VOTE YESTERDAY ON AMENDMENT NO. 539

Mr. STENNIS. Mr. President, I was present in the Chamber yesterday and voted on all the ye-and-nay votes except the last one. During that time I was interested in the amendment No. 539 of the Senator from Arkansas [Mr. McCLELLAN]. However, as interested in the amendment as I was, I was compelled to be away from the Chamber on business of the utmost importance for the State of Mississippi.

I offer this explanation because I had suggested to the Senator from Arkansas that he call up his amendment at that time, but then I had to leave the Chamber.

Had I been present I would have voted in favor of the amendment.

ESTABLISHMENT OF A NATIONAL COMMISSION ON FOOD MARKETING

Mr. MAGNUSON. Mr. President, I ask that the Chair lay before the Senate the amendment of the House to Senate Joint Resolution 71.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the joint resolution (S.J. Res. 71) to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer, which was, to strike out all after the resolving clause and insert:

That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency;

(5) The effectiveness of the services, including the dissemination of market news, and regulatory activities of the Federal Government in terms of present and probable developments in the industry; and

(6) The effect of imported food on United States producers, processors and consumers.

(b) The Commission shall make such interim reports as it deems advisable, and it shall make a final report of its findings and conclusions to the President and to the Congress by July 1, 1965.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraph (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or

surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however*, That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as herein otherwise provided.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—

(a) The Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and the executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The executive director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided*, That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further*, That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(b), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

Mr. MAGNUSON. Mr. President, I ask unanimous consent that action taken by the Senate on June 5 agreeing to a conference with the House on Senate

Joint Resolution 71 and the appointment of the conferees be rescinded.

The PRESIDING OFFICER (Mr. MUSKIE in the chair). Is there objection?

Mr. RUSSELL. Will the Senator state the title of the joint resolution?

Mr. MAGNUSON. I shall explain it. Senate Joint Resolution 71 was reported unanimously by the Senate Commerce Committee, and at the same time the House passed a similar resolution in which there were some minor differences. At that time, the Commerce Committee thought the Senate might have a conference with the House on the matter rather than concur in the House amendment. To expedite the matter, we have since come to the conclusion that we would accept the House amendment. It is not a matter of substance.

The joint resolution provides for the establishment of a commission, proposed by the President, to make inquiry into food-marketing practices in the United States, including the price spread between the producer and the consumer.

The inquiry started in our committee under the able direction of the senior Senator from Wyoming, who concentrated upon the cattle problem as it involved the price to the producer and the price to the consumer.

The Senator from Wyoming conducted in-depth hearings on the matter. This joint resolution will now give the President authority to create the Commission. The difference between the House and Senate resolution is that the Senate provided for 2 years, and the House for 1 year. We were hoping that we might resolve this difference because the inquiry is complex and significant.

I do not like to call it an investigation, because we are not witch hunting, or pointing a finger at the villains of the piece, but we are trying to find out what the problem is in marketing and what the reason is for the spread between the farmer's price and the consumer's price.

In many cases it may be justified. A prime example being used is the 22-cent loaf of bread, and the 2 cents worth of wheat which the farmer provides.

Mr. ELLENDER. Mr. President, will the Senator from Washington yield?

Mr. MAGNUSON. Let me finish my explanation, and then I shall be glad to yield to the Senator from Louisiana.

The Senator from Wyoming and our committee found real problems involved in meat marketing, including the role of chainstores, the role of the producers and the packers, and how it affects the housewife.

This is the purpose of the inquiry. I believe I have stated it fairly well. The President is desirous that we proceed immediately with the inquiry. Both resolutions now provide that there shall be five Members of the Senate, five Members of the House, and five public members on the Commission.

I believe that this inquiry is long overdue. The American people are anxious to understand the problem and know where the real difficulties lie in the great spread between the cost to the producer and to the consumer.

I suggested during the hearings that we talk a little about fruit, in which many people are interested. Take the cost spread in apples, for example. A producer receives 2½ cents a pound for a real fine Washington Delicious apple, whereas in the store it will be sold for 2 pounds for 35 or 39 cents.

In all fairness, I say that there may be good reason for this disparity in the price, but I believe that we should find out what the reason is for that disparity.

Now I am glad to yield to the Senator from Vermont, first, because he has been waiting a long time to be recognized.

Mr. AIKEN. I have been very much interested in what the Senator from Washington has just said. Although there are half a dozen agencies—

The PRESIDING OFFICER. The time of the Senator from Washington has expired.

Mr. MAGNUSON. Mr. President, I ask unanimous consent that I may be permitted to proceed for 5 additional minutes.

Mr. MANSFIELD. Mr. President, I am constrained to object, because we are trying to accommodate as many Senators as we can and we have already gone 25 minutes beyond the original 15 minutes agreed upon.

I will not object at this time.

Mr. AIKEN. Mr. President, I should be glad to have 2 minutes of my 60 minutes used for this purpose.

Mr. MANSFIELD. I will not object.

Mr. AIKEN. Mr. President, although there are half a dozen agencies which have carried on a study of this nature, it has continued for a long time, and nothing has been done. The real reason for the trouble has not been brought to life, so it now behooves Congress to take such action in this field as may be necessary.

The Senator from Washington mentioned the meat situation. I do not know whether he has been reading the financial reports of the packing companies which have been issued recently; but the one that had the poorest record this year, compared with last year, shows a gain of 32 percent in profits over last year.

The one I have seen shows the highest increase in profit to be 79 percent. There may be good reason for it. Perhaps it is due to investments abroad. That may be the answer. If that is the answer, I believe the public is entitled to know that that is the reason. The public should know why prices constantly drop to the farmer and still do not drop to the consumer. I compliment the Senator.

Mr. MAGNUSON. The Senator from Vermont makes a good point. A correlated effort must be made by the various agencies. They must not be going off in different directions.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. ELLENDER. I expressed the hope earlier that the Commission would be organized. The question is whether the method of appointing the 15 members has been changed. Are the Senate Members to be appointed by the presiding officer of the Senate?

Mr. MAGNUSON. Yes; and the House Members by the Speaker. The President will appoint the public members.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. MILLER. I merely wish to add my hope that the Commission will do a good job. It is a very important one. I should like to add the suggestion that when the Commission is established, particularly with respect to the public members, great care be exercised in the appointment of the public members, so that the public will have confidence in the report and in the work of the Commission. For example, it might well be that a member of the livestock industry should serve on the Commission. There are members of the livestock industry and then there are members of the livestock industry, if the Senator knows what I mean. The same is true of members of the apple industry. I am sure the Senator from Washington understands. The appointments should represent the consensus of the majority members of the industry involved, so that people can look with confidence at the work of the Commission.

Mr. MAGNUSON. I am sure the President of the United States will take those matters into consideration. I wish to yield to the Senator from Wyoming [Mr. McGEE] on his time. He has done an excellent job in getting this program off the ground in a series of hearings. He knows a great deal about the subject.

I move that the Senate concur in the House amendment.

The PRESIDING OFFICER. Will the Senator restate his motion?

Mr. MAGNUSON. I move that the Senate concur in the House amendment to Senate Joint Resolution 71.

The PRESIDING OFFICER. Does the Senator have the official papers to present at the desk?

Mr. MAGNUSON. I shall wait. I believe the papers are on the way. When they are received I shall be notified, and then I shall renew my motion.

I yield to the Senator from Wyoming. The PRESIDING OFFICER. The time of the Senator has expired.

The question is on agreeing to amendment No. 1052, proposed by the Senator from Montana [Mr. MANSFIELD] and the Senator from Illinois [Mr. DIRKSEN], in the nature of a substitute.

Mr. McGEE. I believe the Senator from Washington has yielded to me.

The PRESIDING OFFICER. All time has expired under the unanimous-consent agreement.

Mr. McGEE. I yield myself 30 seconds from my own time on the civil rights bill.

In order to conserve the time of the Senate, and to preserve my 60 minutes, should I need them later, I am pleased that the Senate is taking this action today. I concur in the House amendment and I urge that the Senate concur in the amendment so as to get this vital study under way. I ask unanimous consent that my full statement be made a part of the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MCGEE

I am pleased that the Senate is taking action today which will expedite the establishment of a National Commission on Food Marketing. However, there is one provision of the pending bill which concerns me. This is the limitation of the Commission to a 1-year duration and \$1½ million in funds.

It is doubtful whether the job which we are expecting the Commission to do can be completed in this time and with these funds.

Once the bill is passed, the members of the Commission must be appointed and brought together. The Commission must recruit and organize a professional staff. It must develop operating procedures. It must review and evaluate a massive volume of existing data and research findings. It must determine what additional information is needed and how and where it can be obtained. It will be expected to hold public hearings throughout the country. It must assemble additional information from many sources, including field surveys, personal interviews, inspection of books and records, reports and questionnaires, correspondence, and by other appropriate methods. It must cover a wide range of important agricultural commodities. It must include all stages of the marketing process from the producer through the assembler, processor, wholesale and retail distributor to the consumer. It must evaluate all of this material, make statistical analyses and arrive at significant findings and conclusions. It must prepare written reports covering all of its findings and conclusions.

Many people have been conducting research on the structure of the food industry for many years. These studies have provided partial insights into specific commodity and functional areas. However, they have not filled enough of the gaps to provide a real understanding of how our food marketing system works.

We cannot gain the necessary understanding with another partial effort. This study must get into areas of market operations which have not been covered by past research. It must provide a much needed understanding of the marketing system as a whole and not just a series of descriptive reports on individual commodity or problem areas.

Secretary Freeman has said that "This is the most significant inquiry to be proposed since the late Senator Joseph C. O'Mahoney launched the historic Temporary National Economic Committee (TNEC) in the late 1930's." I agree with this judgment. I would remind my colleagues that the work of the TNEC extended over nearly a 3-year period. The law establishing the TNEC was approved on June 16, 1938, and the Commission completed its work on April 3, 1941. It published 43 monographs on important areas of economic activity, and an additional 31 volumes and 6 supplements covering the public hearings which it held during this period.

You also are acquainted with the more recent work of the bipartisan Hoover Commission which was set up in 1947 to study the organization of the executive branch of the Government. The Hoover Commission spent 2 years and issued 15 reports in the course of its initial study. In 1953 a second Hoover Commission was established, and it spent an additional 2 years following up on the work of the first Commission.

I believe that we should expect the National Commission on Food Marketing to do the same type of job which was done by the TNEC and by the Hoover Commission.

I concur in the House amendment so that the work of the Commission can be started now and the potential pitfalls of a confer-

ence, so close to the end of the session, can be avoided. I shall certainly be prepared next year, however, to support an extension of the life of the Commission so that its work may not be prematurely foreclosed.

LAOS AND SOUTH VIETNAM

Mr. MORSE. Mr. President, I ask unanimous consent to have printed in the RECORD an article, published today in the Washington Post, on a statement, emanating from the State Department, seeking to rationalize further its course of illegal action in Laos and South Vietnam.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

U.S. REPORTS LAOS ACCORD ON FLIGHTS

(By Warren Unna)

The United States and Laos Premier, Prince Souvanna Phouma, have reached a "clear understanding" on continuing the controversial U.S. jet photo-reconnaissance flights over Laos at necessary intervals, the State Department declared yesterday.

But in the Laotian Capital of Vientiane, Souvanna gave a slightly different twist to the matter. He told a news conference the U.S. jet flights had been provisionally suspended, but would be resumed if there is evidence of further (Pathet Lao) troop movements.

These comments came just as the Communists, for the second time within a few days, charged that U.S.-made AT-6 and T-28 planes bombed and strafed Pathet Lao headquarters.

State Department officials countered that no U.S. pilots were flying these propeller-driven planes, but that Lao pilots, for some time now, had been using these U.S.-supplied planes for their own bombing missions.

On Capitol Hill yesterday, Senator WAYNE MORSE, Democrat, of Oregon, the administration's severest critic of its southeast Asian policy, accused the United States of acting like "an international outlaw in pursuit of its own nationalistic objectives."

MORSE warned that U.S. jet flights over Laos endanger "peace, security, and justice in the United States" and are serving to escalate this country into a full-scale war with Laos' neighbor, Communist China.

At stake are the Laos peace accords reached at the 1962 Geneva International conference. Both the United States and Premier Souvanna have accused the Pathet Lao and their Communist North Vietnamese backers of violating the Geneva strictures against defiling Laos' neutrality with foreign troops and new equipment.

Both the United States and Souvanna look upon observance of these accords as the only possible way to put the Laos pack of cards back together again.

But now Communist North Vietnam and Communist China, as well as Senator MORSE, have accused the United States of being the guilty party by introducing not only jet photo-reconnaissance planes but armed jet fighter escorts.

State Department spokesman Richard I. Phillips repeated yesterday that both the United States and Souvanna's government had agreed that these flights were necessary to assume preventive detection responsibilities no longer being met by the International Control Commission (ICC), composed of India, Canada, and Poland.

Phillips also said at his noon briefing that both the United States and Souvanna's government now have agreed not to discuss any "operational" aspect of the jet flights. This was regarded as a blackout on future news about the armed jet fighter escorts.

It was learned yesterday that Premier Souvanna, distressed by the Pathet Lao anti-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

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HIGHLIGHTS: For highlights see page 6.

HOUSE

1. HOUSING LOANS. Passed, under suspension of the rules, H. J. Res. 1041, to continue from June 30 to Sept. 30, 1964, the program of insured rental housing loans for the elderly in rural areas. pp. 13259-60
2. MARKETING COMMISSION. Agreed to a Senate request for the return of S. J. Res. 71, to establish a National Commission on Food Marketing. p. 13252
3. BEEF. Rep. Jensen spoke in favor of the use of corn-fed beef. p. 13252
4. COMMODITY CREDIT CORPORATION. Received from the President the annual report of CCC for the fiscal year 1963. p. 13252
5. WATER RESEARCH. House conferees were appointed on S. 2, to establish Federal-aid water-research (p. 13253). Senate conferees have already been appointed.

6. FORESTRY. Passed without amendment H. R. 7588, to provide for enforcement of rules and regulations for the protection, development, and administration of the national forests and national grasslands. p. 13253
7. PERSONNEL. Passed as reported S. 1833, to authorize Government agencies to provide quarters, household furniture and equipment, utilities, subsistence, and laundry service to civilian Government officers and employees. pp. 13254-5
Passed, under suspension of the rules, S. J. Res. 103, to increase the authorization for the President's Committee on Employment of the Physically Handicapped. pp. 13257-9
8. DEFENSE PRODUCTION. Passed, under suspension of the rules, H. R. 10000, to extend the Defense Production Act from June 30, 1964, to June 30, 1966. pp. 13260-1
9. BANKING AND CURRENCY. Passed, under suspension of the rules, H. R. 11499, to extend for 2 years the authority of the Federal Reserve banks to purchase U. S. obligations directly from the Treasury. pp. 13261-2
10. FOREIGN TRADE. Rep. Michel inserted a colloquy on "Free Enterprise in the Free World: A Business-Government Joint Venture." pp. 13262-6
11. TRANSPORTATION. Rep. Younger deplored the refusal of the Rules Committee to clear H. R. 9903, the omnibus transportation bill, and inserted an article by Morris Forgash, "Transportation Equation: Apathy Plus Inaction Divided By Talk Equals Crisis and Nationalization." pp. 13280-4
12. WHEAT; COTTON; FOOD STAMPS. Rep. Cleveland claimed, and inserted an article by Rep. Curtis claiming, that there was a log-rolling deal in connection with the wheat-cotton bill and the food-stamp bill. pp. 13284-6
13. FARM LABOR. Rep. Teague, Calif., inserted an editorial favoring the Mexican farm labor program. p. 13286
14. FOREIGN AID. Rep. Halpern commended the foreign-aid bill as recently passed by the House. pp. 13286-7
15. WOOL LABELING. Rep. Gross expressed a hope that it is not true that the State Department requested postponement of H. R. 4994, to provide for the labeling of imported woven labels. p. 13287
16. FOREIGN TRADE; SURPLUS COMMODITIES. Received from FAS the report for May pursuant to Public Law 480. p. 13288
17. TAXATION. The Judiciary Committee submitted a report on State taxation of interstate commerce (H. Rept. 1480). p. 13288
18. CIVIL DEFENSE. The Rules Committee reported a resolution for consideration of H. R. 10314, to amend and extend the Civil Defense Act of 1950 (H. Rept. 1484). p. 13288
19. PUBLIC WORKS APPROPRIATION BILL. The Rules Committee reported a resolution for consideration of this bill, H. R. 11579, which is to be considered today, June 16. pp. 13288, D469

20. POVERTY. As reported (see Digest 110), H. R. 11377, the proposed Economic Opportunity Act of 1964 to combat poverty, includes provisions as follows:

Establishes in the Executive Office of the President a new agency to be known as the Office of Economic Opportunity to be headed by a Director.

Authorizes the Director, with the President's approval, to arrange with and reimburse the heads of other Federal agencies for the performance of any of his functions and, as necessary, to delegate any of his powers under the bill. Authorizes the Director to allocate and expend, or transfer to other Federal agencies for expenditures, funds made available under the bill.

Establishes an Economic Opportunity Council, which includes the Secretary of Agriculture, to consult with and advise the Director in carrying out his functions, including the coordination of antipoverty efforts by all segments of the Federal Government.

Establishes a National Advisory Council composed of representatives of the general public and appropriate fields of endeavor to review and make recommendations on the operations and activities of the Office of Economic Opportunity.

Authorizes special programs to combat poverty in rural areas. Authorizes the Director to make grants of not to exceed \$1,500 to low-income rural families, who are not qualified to obtain such funds by loan under other Federal programs, to acquire or improve real estate or reduce encumbrances or erect improvements thereon, operate or improve the operation of farms not larger than family sized, participate in cooperative associations, or finance nonagricultural enterprises which will enable such families to supplement their income. Authorizes the Director to make loans of not to exceed \$2,500 to low-income rural families to finance nonagricultural enterprises which will enable them to supplement their income. (The Committee report states that these grants and loans will be administered by the Farmers Home Administration under delegation of authority.) Authorizes the Director to cooperate with, furnish technical assistance to, and otherwise assist in the organization of public or private nonprofit corporations for the improvement of the productivity and income of low-income farmers. Authorizes the Director to make loans to local cooperative associations furnishing essential processing, purchasing, or marketing services, supplies, or facilities predominantly to low-income rural families. Requires the Director to develop and carry out as soon as practicable a program to assist States, political subdivisions, public and nonprofit agencies, institutions, organizations, farm associations, or individuals in establishing and operating programs for the assistance of migrant agricultural employees and their families in housing, sanitation, education, and day care of children. Requires the Director to carry out these special programs to combat poverty in rural areas for three fiscal years and authorizes the appropriation of \$50 million for the first fiscal year, 1965, for this purpose.

Creates a Job Corps of young men and women aged 16 through 21 to provide them with education, vocational training, and useful work experience, including work directed toward the conservation of natural resources. Authorizes the Director to enter into agreements with Federal, State, and local agencies for the establishment and operation of conservation camps and training centers in both rural and urban areas.

Authorizes grants and assistance to States and public or private nonprofit agencies for urban and rural communities to mobilize their resources to combat poverty through community action programs in such fields as employment, job training and counseling, health, vocational rehabilitation, housing, home management, welfare, and special remedial and other noncurricular educational assistance for the benefit of low-income individuals and families. Requires the Director to establish criteria for the equitable distribution of communi-

ty action assistance between urban and rural areas.

Authorizes grants to States for providing basic education to adults over 21 years of age who are unable to read or write.

SENATE

21. FOREST LANDS; LOANS. The Banking and Currency Committee reported without amendment H. R. 8230, to amend Sec. 24 of the Federal Reserve Act (12 U.S.C. 371) to liberalize the conditions of loans by national banks on forest tracts (S. Rept. 1077). p. 13291
22. CREDIT UNIONS. The Banking and Currency Committee reported without amendment H. R. 8459, to amend the Federal Credit Union Act to allow Federal credit unions greater flexibility in their organization and operations (S. Rept. 1078). p. 13291
23. FLOOD RELIEF. Sen. Mansfield expressed his appreciation for Federal aid to Mont. in the recent flood disaster and inserted various articles and letters including one from this Department describing what is being done to alleviate problems arising from the floods. pp. 13293-309
24. SOIL CONSERVATION. Sen. Burdick praised the Soil Conservation Service for help furnished to N. Dak. farmers and ranchers and inserted a digest of the 1963 annual report of the Soil Conservation Service setting forth numerous facts about the scope of the work, accomplishments, and conservation needs. pp. 13309-10
25. ESTES CASE. Sen. Dominick called attention to what he termed "the struggle between the legislative and executive departments, in connection with actions of the executive department" and mentioned the Billie Sol Estes case, and inserted newspaper articles to support his remarks. pp. 13310-12
26. LANDS; MINING. Sen. Young, Ohio, urged enactment of legislation to stop destruction of land by strip mining and called it a ridiculous paradox that States permit strip miners to ravish land, while at the same time it is suggested that Federal funds be used to rehabilitate it. pp. 13313-4
27. ANIMAL RESEARCH. Sen. Neuberger stated that editorial support continues to grow for legislation to provide humane treatment of animals used in research experiments, and inserted an editorial on the subject. pp. 13322
28. FOOD-FOR-PEACE. Sen. McGovern commended and inserted a summary of some of the highlights of the food-for-peace program which Secretary Freeman wrote for Parade magazine. p. 13351-2
29. WATER RESOURCES. Received a message announcing that the House insisted upon its amendments to S. 2, to establish Federal-aid water research and that the House agreed to the conference requested by the Senate. p. 13354
30. FOOD COMMISSION. S. J. Res. 71, to establish a National Commission on Food Marketing, was returned from the House in compliance with request. p. 13354
31. BEEF PRICES. Sen. McGovern commended and inserted a speech by Sen. McGee appraising the beef price situation. pp. 13364
32. RECESSED until Tuesday, June 16.

Congressional Record

PROCEEDINGS AND DEBATES OF THE 88th CONGRESS, SECOND SESSION

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No. 120

House of Representatives

The House met at 12 o'clock noon and was called to order by the Speaker pro tempore (Mr. ALBERT).

DESIGNATION OF SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair lays before the House a communication from the Speaker:

The Clerk read as follows:

JUNE 15, 1964.

I hereby designate the Honorable CARL ALBERT to act as Speaker pro tempore today.

JOHN W. MCCORMACK,
Speaker of the House of Representatives.

PRAYER

Rabbi Josiah Darby, Rego Park Jewish Center, New York, offered the following prayer:

Psalms: 119: 126: This is the hour to act; Thy law, O Lord, has been broken.

Eternal God, we thank Thee for another day of life and health and opportunity.

In this hour of crisis abroad and confusion at home we ask Thy blessings upon our beloved country, upon our President, and upon this legislative body.

Recognizing the limitations of our mortal wisdom, we turn to Thee for guidance as we grope for the elusive solutions to the weighty problems that confront us.

Shed Thy light upon us to illuminate our way. Teach us how to serve with a unity of purpose even as we maintain the diversity of our views.

Inspire us with courage and resolution that we may meet the challenge of our responsibilities.

Hold us fast to those truths, which are rooted in Thy fatherhood, and in the brotherhood of Thy children, so that all our deliberations and decisions may conform to Thy holy will. Amen.

THE JOURNAL

The Journal of the proceedings of Thursday, June 11, 1964, was read and approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Miller, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Secretary of the Senate requests the House of Representatives to return to the Senate the joint resolution (S.J. Res. 71) entitled "Joint resolution to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer," together with all accompanying papers.

ANNOUNCEMENT

Mr. CLARK. Mr. Speaker, on Thursday I was in Montana with other Members inspecting the flood damage. On rollcall 155, through error, I was paired for the bill. If present, I would have voted "no."

COMMUNIST PROPAGANDA JUNKETS

(Mr. SELDEN asked and was given permission to address the House for 1 minute.)

Mr. SELDEN. Mr. Speaker, news reports indicate that 75 members of a so-called U.S. student group have circumvented the Department of State's ban on travel to Communist Cuba and are presently propaganda guests of the Castro government.

This is the second such group to violate State Department policy barring use of passports to visit that Communist satellite in the Caribbean. It is reported also that this trip was arranged by the same organization and persons that arranged the similar propaganda visit to Cuba last year by so-called U.S. students.

The first propaganda report to issue from this year's delegation in Havana was a call by a Negro member of the group for the destruction of the United States. The nature of this message points up the fact that the Communist

and fellow-traveler composition of the current group is similar to that of last year's delegation.

At the time the first so-called student group visited Havana last year I called for State Department action against the passport privilege violators upon their return to this country. As I then argued, if it were possible a just punishment would be the denial of reentry into the United States for all such turncoats and advocates of treason. Consider the fact that while Americans are laying down their lives fighting totalitarian communism in Vietnam, here we have a handful of moral renegades serving as willing dupes for the cause of communism in our own hemisphere.

Obviously, whatever action the Department of State did take against the Cuban travelers last year was ineffective and insufficient to prevent a second such trip. I am therefore asking the Department of State and the Department of Justice for a complete report on what it has done and what it intends to do to punish such violations of the passport privilege. These violators must be punished. If existing legislation to curb such Communist propaganda junkets is not on the books, I intend to introduce legislation with teeth that will inhibit the actions of these Communist propaganda agents.

WHO IS TO BLAME?

(Mr. FEIGHAN asked and was given permission to address the House for 1 minute to revise and extend his remarks and to include extraneous matter.)

Mr. FEIGHAN. Mr. Speaker, the problem outlined by our colleague from Florida is a very important one, a very disturbing one. The Subcommittee on Immigration and Nationality has had a considerable experience with it. Last year we held a hearing on the illegal travel of so-called students from the United States to Communist-occupied Cuba, via Prague, Czechoslovakia. That hearing was very revealing and established the fact that those so-called students were engaged in a deliberate attempt to violate Federal law; in fact, the hearing established the additional fact

that this planned, deliberate violation of law was aimed at forcing a test of the law in our courts, as a propaganda maneuver and in the long-shot hope the validity of the controlling law could be overturned.

The bill introduced by our colleague will be given very careful study by our subcommittee. His purposes are worthy. He seeks to close what may appear to be a gap in law, to make certain that those who break the law will be punished, and to protect our country against those who seek to destroy law as the orderer of society.

I am not yet convinced that the Government does not already have all the authority needed to act in such cases set forth by our colleague. The travel control laws now in effect provide the Secretary of State with authority to proscribe countries that are "off limits" for holders of valid U.S. passports and provides a penalty of \$5,000 fine, 5 years imprisonment, or both. The pertinent question is, whether the Department of Justice is applying the necessary vigor and determination to give full effect to the law, or whether the law denies the Department of Justice a clear course of legal action.

There is no doubt of the need to clear up the pertinent question I have raised. Our colleague's proposal serves a constructive purpose because it calls for an answer to that question.

EAT DELICIOUS, JUICY, TENDER, CORN-FED STEAK

(Mr. JENSEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JENSEN. Mr. Speaker, last week, 61 boosters of corn-fed beef from the district which I have the honor to represent in Congress, arrived in Dearborn, Mich., with enough delicious, tender, juicy, corn-fed T-bone steaks to give the people at a banquet there a real treat. The 61 cattle feeders and businessmen from Iowa sat down with an equal number of important people from the Dearborn-Detroit area to enjoy "top of Iowa steak."

Among the guests at the banquet were representatives of the Alcoa Chemical Corp., Chrysler Motors, the Department of Agriculture, the Greater Detroit Chamber of Commerce, the Great Atlantic & Pacific Tea Co., the Michigan Farm Bureau, the University of Michigan, the Live Stock Exchange, and the Ford Motor Co., along with representatives from other industries and banks, and municipal officials from both Dearborn and Detroit.

The main purpose of this affair was of course to give the people at the banquet a taste of the most delicious and most nourishing of all beef, corn-fed beef, which in the past has not received the publicity it deserves.

You see, Mr. Speaker, it takes corn longer to mature than any other grain, hence nature and the sun instills more of the essential vitamins necessary for human health and strength into corn-fed meats than into other meats or vege-

tables. Of course the same is true of corn-fed pork and poultry.

Every housewife, and every restaurant, motel and hotel where food is served would do well to feature these wonderful foods. Facts are, every eating place owes it to themselves and to their customers to print on their menus these words: "Eat our delicious, tender, juicy, corn-fed beefsteak, pork, and poultry." Then watch their business grow.

CHILDREN TO CHILDREN PROGRAM FOR ALASKA

(Mr. BECKER asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. BECKER. Mr. Speaker, I was tremendously pleased to be advised by an elementary school in my district; namely, the Woodmere, Long Island, N.Y., elementary school that they wanted to do something to help the children and people of Alaska who had suffered so terribly by the recent earthquake.

The children, through their student council, devised the idea of a cake sale. But they placed certain restrictions on this. The children, themselves, had to bake their own cakes, bring them to school and then they were sold at 10 cents per slice. This was a real do-it-yourself project and went over big. They raised the sum of \$295, by this sale.

I was invited by the student council to attend their assembly on Friday, June 12, at 9:45 a.m., and the check for \$295, made out to the Governor's reconstruction fund, was presented to me.

This was one of the most pleasant experiences of my political career. These children could, perhaps, have gone to their parents and asked for some money to contribute. They did not do this. They wanted to do something themselves, and they did. I expressed my great satisfaction to them, to their faculty, and their student council adviser.

I took the opportunity of telling these students it was their spirit that made our country great, that it was their willingness to do a job themselves, their self-reliance, the spirit of a good deed well done, and a sense of responsibility to help others in need.

I am certain this contribution will be put to good use through the Governor's reconstruction fund and bring a little more to the children of Alaska than just love and affection.

COMMITTEE ON RULES

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

THE U.S. EXHIBIT AT THE WORLD'S FAIR IN NEW YORK

(Mr. ASPINALL asked and was given permission to address the House for 1 minute.)

Mr. ASPINALL. Mr. Speaker, I have listened with amazement at the criticism of the gentleman from Illinois with reference to the U.S. exhibit in New York. I have seen that exhibit twice, and I enjoyed it the last time more than I did the first time I saw it.

There are certain lessons to be drawn from that exhibit and the showing which is made, and I am quite favorable to what is intended and how it is presented.

REPORT OF THE COMMODITY CREDIT CORPORATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER pro tempore laid before the House the following message from the President of the United States, which was read and, together with accompanying papers, referred to the Committee on Banking and Currency:

To the Congress of the United States:

I am sending for the information of the Congress the report of the Commodity Credit Corporation for the fiscal year ended June 30, 1963, in accordance with the provisions of section 13, Public Law 806, 80th Congress.

LYNDON B. JOHNSON.

The WHITE HOUSE, June 12, 1964.

NATIONAL COMMISSION ON FOOD MARKETING

The SPEAKER pro tempore laid before the House a message from the Senate, as follows:

IN THE SENATE OF THE UNITED STATES,

June 15 (legislative day, March 30), 1964.

Ordered, That the Secretary of the Senate request the House of Representatives to return to the Senate the joint resolution (S.J. Res. 71) entitled "Joint resolution to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer" together with all accompanying papers.

Mr. HALLECK. Mr. Speaker, reserving the right to object, and I shall not object, this matter was discussed with me and in turn I have discussed the matter with the ranking Republican member of the Committee on Agriculture. I want it to be in the RECORD that my understanding is correct, which is, that the purpose of the action here sought to be had is to bring to final enactment a bill dealing with this matter as it passed the House of Representatives.

Mr. HOEVEN. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. I yield to the gentleman from Iowa.

Mr. HOEVEN. I want to concur in the statement of the minority leader. It is my understanding that the purpose of sending these papers back to the other body is that they may concur in the House bill. If that is not a correct understanding I will obliged to object.

The SPEAKER pro tempore. Is there objection?

There was no objection.

CHANG IN WU

Mr. FEIGHAN. Mr. Speaker, I ask unanimous consent to take from the

of blood in five different cities while working as a bargehand on the Ohio and Mississippi Rivers. None of the banks gave him a medical examination.

Last year, a New Yorker was given an open-heart operation which required 23 pints of blood to keep him alive. The operation was successful, but he came down with malignant malaria. This was traced to blood that had come from a commercial bank. The donor, who had transmitted the disease and was himself in danger, could not be located. He was one of three who had given assumed names and addresses to the bank.

Investigation of this bank uncovered that it collected 75 pints of blood every day, more than half from Bowery bums. The derelicts themselves boasted it was the only way they knew of picking up a few dollars for lying down. Their word was accepted when they were asked if they had ever suffered from an infectious disease.

We must act to clean up the trade in human blood. The last thing we should do is aid the blood profiteers by forcing the closure of community blood banks. I cannot believe that the authors of our antitrust laws ever intended that they should apply to non-profit organizations providing a vital medical service. You will never persuade me that human blood was meant to be an item of commerce.

The Federal Trade Commission, in its strained and obtuse approach to the problem, should consider the precedent it would be setting. As medical science progresses and new techniques of transplanting are perfected, there will be no item of human tissue that will not be put on the auction block to the highest bidder. Eyes, teeth, skin, kidneys, hearts, livers, sinews, bones—all will be for sale. A father or mother who wants to give an eye for a child, much less a pint or two of blood, might find himself in the middle of an antitrust suit.

I cannot believe the American people will allow such a travesty of humanity to take place. With the support of other Senators, I have introduced a bill—S. 2560—to save our community blood banks and set a proper precedent. It must not fail.

Here's how you can help.

Write to your Congressman and ask him to act on my bill this year, not to shelve it for the indefinite future.

Get in touch with local authorities and insist that regulations be enforced or, where necessary, new ones adopted to safeguard against those private blood banks that do not keep records or check donors.

WHAT MAKES A GREAT SENATOR?

Mr. McGOVERN. Mr. President, David Broder, the brilliant political reporter for the Washington Star, has written a thoughtful article entitled "What Makes a Great Senator?" for the New York Times magazine, June 14, 1964.

I think Members of the Senate will find this article of interest and I therefore ask that it be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WHAT MAKES A GREAT SENATOR?

(By David S. Broder)

WASHINGTON.—In Oklahoma this spring a famous football coach, Bud Wilkinson, easily defeated two professional politicians for the Republican nomination for the U.S. Senate. In Ohio, astronaut John Glenn won over 200,000 votes in the Democratic primary against the incumbent Senator, even though he had withdrawn from the race. In Cali-

fornia, Republicans chose a onetime movie dancer, George Murphy, as their candidate for the Senate, while Pierre Salinger, a former presidential press agent, untested at the polls, battled an experienced votegetter for the Democratic nomination and won.

In this Capital, where the politicians can spot a threatening trend a continent away, there is already a good deal of mumbling about what these "celebrity types" will do to the Senate. It is not that Washington has anything against such men. But the city cherishes, along with its cherry blossoms and its cheap liquor, the notion that it takes something very special to be a Senator of the United States, and it is not sure that mere fame fills the bill.

Just what qualities mark a man as fit for membership in the world's most self-exalted legislative body are undefined. But the imprecision of the standards in no way lessens the intensity of the belief that there are standards to be maintained.

The difficulty of judging the quality of a Senator was discussed in this magazine 7 years ago by John F. Kennedy. "There are no standard tests to apply to a Senator," he wrote, "no Dun & Bradstreet rating, no scouting reports. His talents may vary with his time, his contributions may be limited by his politics. To judge his true greatness * * * is nearly an impossible task."

Mr. Kennedy, at the time, was engaged in the task of selecting the five greatest Senators, whose portraits were to adorn the Senate reception room. But the difficulty of picking the outstanding men in the history of the institution is essentially the same as the problem of defining the qualities that make for distinction in the Senate today.

Must the "good Senator" be a man of eloquence, who can supply the oratorical gloss to finished legislation during floor debate? Or is it more important that he have the legal skills that make him a superb craftsman behind committee doors?

Is it sufficient that the good Senator excel at protecting his State's interests and representing its point of view on the issues of the day? Or must he also don the toga and advise the Secretary of State and the President on how to handle their jobs?

Is the good Senator the man who adheres always to the dictates of his own conscience—a relentless investigator, a shunner of compromise? Or is he the cheerful pragmatist whose willingness to split the difference makes it possible to pass a bill now and then?

Is he a John Kennedy or a BARRY GOLDWATER, using the Senate as the base for a national campaign? Or is he a CARL HAYDEN or a GEORGE AIKEN, whose labors are scarcely noticed by the public?

Simply to raise these questions is to suggest that there is room in a 100-man Senate for men of differing tastes and talents. Any arbitrary standard that ignores these individual variations is certain to be wrong.

In one basic sense, Washington's belief in the distinctiveness of the Senate is well justified. The most striking single fact about the Senators we have is that they are uncommon Americans. Prof. Donald R. Matthews described the typical Senator of the post-World War II decade as "a late middle-aged or elderly, white, Protestant, native-born man with rural or small-town and upper-middle-class origins," a college-educated lawyer and a "joiner." As Mr. Matthews noted in his classic study, "U.S. Senators and Their World," this combination of characteristics is so far from the norm of American society that "probably less than 5 percent of the American people have any significant chance of every serving in the Senate so long as the present informal 'requirements' for the office hold."

The major abnormality about Senators, in career terms, is that they are professional officeholders. Mr. Matthews found that al-

most half the postwar Senators achieved their first public office before they turned 30 and that three-quarters of them were on the public payroll before they were 40. The average Member had spent approximately half his adult life in officeholding—even before he became a Senator.

Of the 100 current Senators, 66 came to that body directly from other public offices; 21 more relied chiefly on the fame won in prior public service—service which, in most cases, had terminated only briefly before their Senate campaigns began. That leaves only 13 of today's Senators who launched their campaigns from reputations earned outside public office. Most of these men are "political accidents" of one sort or another.

With so much similarity in their backgrounds, what determines which Senators rise to distinction and which stay submerged in the pack? Again, one must be wary of generalizations.

A favorite myth, for example, is that Governors—or other executive types—fare badly in the Senate. They are, according to legend, extremely unhappy at sharing their sovereignty and command authority with 99 others. But then comes a man like the late Robert Kerr, from the governorship of Oklahoma, who finds the paths to power in the Senate ridiculously easy to explore. No one was ever more at home or more skillful in committee machinations or in floor debates than ex-Governor Kerr.

In a body dominated by lawyers, there is a strong tendency to think that lawyers have a special calling for the Senate. Even JOE CLARK, of Pennsylvania, normally a man to deride the prejudices of "The Senate Establishment," is convinced that "lawyers make the best Senators; to make laws you have to know law." But Lyndon Johnson, the ablest leader the Senate has had in years, was no lawyer, nor is MIKE MANSFIELD, nor is HUBERT HUMPHREY.

Energy, eloquence, wit, good humor, intelligence, frankness, honor—all these are worthy qualities, esteemed by Senators, as by most men, in their fellows. But to catalog these virtues is not to describe the special qualities that make a man a good Senator. For, in candor, there have been good Senators, even great ones, who were a mite bad tempered, or a mite dull or less than irreproachable in their personal codes.

Thus, all the popular generalizations prove false, in some degree. One comes closer to the truth by noting that the best Senators, generally, are those who have acquired seniority and who use their powers, not simply for the advantage of their States, but also to serve their conception of the national interest.

It takes time to develop influence in the Senate and a Senator's greatness is measured by the reach of his influence. It is a place, as LEE METCALF of Montana has remarked, "where you have to do a lot of favors for others before they start doing them for you." It is a unique political structure—an assemblage of delegates from sovereign States, each man, in theory, the equal of any other. The seniority system is its only acknowledged ranking order and its influence is pervasive.

The five men selected by Mr. Kennedy's committee to be enshrined in the Senate's Hall of Fame—Henry Clay, Daniel Webster, John C. Calhoun, Robert La Follette and Robert A. Taft—served a total of 86 years. Their first responsibility, no less than that of the lowliest of today's freshman Senator's, was to gain reelection. Only with the confidence of his own constituency, renewed at the polls, can a Senator play his role on the national stage.

But if seniority is an essential for effective and distinctive senatorial service, it is obviously not a guarantee of such a career. A special combination of personal qualities and political circumstances marks the history of the best members.

What are those qualities? First is the instinct or the drive in some men that takes them to the heart of the issues of their time. The late Robert Taft and the late Styles Bridges were contemporaries in the Senate and both achieved great power. But Bridges confined himself by choice to the private, backroom trades of projects, patronage and appropriations, while Taft engaged himself publicly in all the major debates of his era—touching the responsibilities of American government in foreign affairs, domestic welfare and labor relations. It is Taft, not Bridges, who has a memorial on Capitol Hill today.

A second quality is diligence, again well typified by Taft or by his successor in the Republican leadership today, EVERETT DIRKSEN of Illinois. Senator DIRKSEN owes much of his influence to the simple fact that he studies more intensively and knows more intimately the provisions of the bills he is debating than the vast majority of his colleagues.

A third quality is breadth of interest, a refusal to be bound by the parochial concerns of one's own State. Senators have achieved great reputations in the past as spokesmen for their States and regions, but as our politics have become national and international, so have the perspectives of the best Senators. It is the man who can see beyond the borders of his own State whose contribution is remembered—George Norris of Nebraska sponsoring the Tennessee Valley Authority, Lyndon Johnson of Texas guiding the first civil-rights bill in a century into law, Arthur Vandenberg of Michigan leading the Senate into an acceptance of its world responsibilities.

The Senate, for all the criticism it receives, is a tolerant place. It finds uses for all sorts of talents. Most Members take the established route up the seniority ladder to a committee chairmanship and increasing influence with the establishment. But the Senate, to its credit, also provides outlets for "the angry men" who cannot conform to these comfortable career lines.

An Estes Kefauver investigating drugs, a John McClellan exposing labor racketeering or a John Williams documenting financial chicanery are not the most congenial companions for "The Club" Members. But persistence and publicity are forces the Senate recognizes. The iconoclasts, too, can make their mark in the history books.

There are circumstances which can disqualify Senators from playing the roles of which they are capable, as with the southerners today. The southern Senators are men of ability, and some—like J. W. FULBRIGHT and RICHARD RUSSELL—have achieved distinction in special fields like foreign policy and defense. But their isolation from the mainstream of American politics on the central question of race relations bars them from leadership roles, to their own loss and the loss of the country.

By and large, though, seniority, talent, diligence, breadth of vision, and a grasp of major issues will enable a Senator to contribute his full share to the making of national policy. The Senate has its shortcomings, but it is not arbitrary or capricious in the way it weighs its Members and judges them for what they are. In time, undoubtedly, the Senate will pass fair judgment on those of the current celebrity candidates who join its ranks.

Just now, however, these men are under a cloud—and understandably so. Their candidacies represent a shortcutting of the normal political process, an effort by one party or the other to gain temporary advantage on the cheap. The cost of electing a Senator has grown so heavy that a candidate with built-in name value offers enormous practical advantages. Running against an incumbent in a large State, a celebrity can save his party hundreds of thousands of dollars that would have to be spent

to build up an ordinary politician to the point where he would have a reasonable hope of victory.

Judging from past experience, a few of these celebrities will win, but more will be rejected by the voters—simply because they have nothing but their names to recommend them. The pertinent point, however, is that whatever contribution fame makes to their first election, their ultimate influence and standing will depend on their ability to gain reelection as Senators. NORRIS COTTON, of New Hampshire, puts it neatly when he says, "They may get here the first time because they're celebrities, but if they come back, it's because they're politicians."

Most observers would agree with Senator CLARK that "it would be disastrous to convert the Senate into a repository for miscellaneous famous Americans," a sort of living hall of fame. But that is not really in prospect—not when the present membership is slanted so heavily in the direction of career office-seekers and when any new Senator must prove his political skills by gaining reelection before he can begin to exercise real influence.

The serious question is whether the Senate might not be made a more representative body if some of its Members were recruited from fields other than professional politics. Senator COTTON, a career man on Capitol Hill himself, suggests that the Senate might receive an infusion of energy and ideas from men of diverse backgrounds, just as the professional foreign service receives a leavening influence from the Ambassadors drawn from private life.

Hopefully, the celebrity candidates would be found, as time goes on, not just in the realms of sports and entertainment and derring-do, but in the arts and science, the professions and industry. A handful of educators and businessmen and even one labor leader sit in the Senate now. If James Van Allen decided to run from Iowa or Jonas Salk from Pennsylvania, would the Republic be destroyed? It is hard to think so.

John Jay, in the Federalist papers, spoke of Senators as "men of talents and integrity." The lawyers and the professional politicians have had the place pretty much to themselves for a long time. They have no monopoly on the qualities that make for greatness in a Senator. It may be well now to consider emphasizing the plural in "talents."

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House insisted upon its amendments to the bill (S. 2) to establish water resources research centers at land-grant colleges and State universities, to stimulate water research at other colleges, universities, and centers of competence, and to promote a more adequate national program of water research, disagreed to by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. ASPINALL, Mr. ROGERS of Texas, Mr. HALEY, Mr. SAYLOR, and Mr. BURTON of Utah were appointed managers on the part of the House at the conference.

The message also announced that the House had passed, without amendment, the joint resolution (S.J. Res. 103) to increase the amount authorized to be appropriated for the work of the Presidents' Committee on Employment of the Physically Handicapped.

The message further announced that the House had agreed to the amendments of the Senate to the bill (H.R.

1887) for the relief of Yon Ok Kim, Chang In Wu, and Jung Yol Sohn.

The message returned to the Senate, in compliance with its request, the joint resolution (S.J. Res. 71) to establish a National Commission on Food Marketing to study the food industry from the producer to the consumer.

CIVIL RIGHTS ACT OF 1963

The Senate resumed the consideration of the bill (H.R. 7152) to enforce the constitutional right to vote, to confer jurisdiction upon the district courts of the United States to provide injunctive relief against discrimination in public accommodations, to authorize the Attorney General to institute suits to protect constitutional rights in public facilities and public education, to extend the Commission on Civil Rights, to prevent discrimination in federally assisted programs, to establish a Commission on Equal Employment Opportunity, and for other purposes.

Mr. HUMPHREY. Mr. President, I yield myself 30 seconds. The amendment, No. 493, offered by the Senator from South Carolina, would strike from title I everything but the provisions for three-judge district courts and for expediting voting cases. Eliminated would be first, the uniform standards provision, second, the immaterial errors provision, third, the written literacy test provision, and fourth, the rebuttable sixth-grade presumption provision. These provisions are designed to strike at the principal means by which voting discrimination by registrars is carried out, as evidenced by the cases the Department of Justice has instituted to enforce the 1957 Civil Rights Act. Adoption of this amendment would mean that discrimination will continue to be easily accomplished and difficult to prove.

The effect of this amendment is to practically destroy title I.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from South Carolina [Mr. JOHNSTON]. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WALTERS (when his name was called). On this vote I have a pair with the junior Senator from Maryland [Mr. BREWSTER]. If he were present and voting, he would vote "nay"; if I were at liberty to vote, I would vote "yea." I withhold my vote.

The rollcall was concluded.

Mr. HUMPHREY. I announce that the Senator from Maryland [Mr. BREWSTER] is absent on official business.

I also announce that the Senator from California [Mr. ENGLE], is absent because of illness.

I further announce that the Senator from Pennsylvania [Mr. CLARK] and the Senator from Texas [Mr. YARBROUGH] are necessarily absent.

I further announce that, if present and voting, the Senator from Pennsylvania [Mr. CLARK] and the Senator from California [Mr. ENGLE] would each vote "nay."

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued June 22, 1964
For actions of June 19, 1964
88th-2nd; No. 124

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HIGHLIGHTS: Senate concurred in House amendments to food marketing study bill. Senate passed: Civil rights bill, bill for congressional review of Federal grants-in-aid, bill to extend Reorganization Act. Sen. Mansfield inserted statements on Mont. flood, including letter re FHA loans. Rep. Findley criticized feed grains program.

SENATE

1. MARKETING COMMISSION. Concurred in the House amendments to S. J. Res. 71, to establish a National Commission on Food Marketing. This measure will now be sent to the President. pp. 14013-4
2. CIVIL RIGHTS. By a vote of 73 to 27, passed with amendments H. R. 7152, the civil rights bill (pp. 13934-43, 13944-14013, 14016). By a vote of 25 to 74, rejected a motion by Sen. Gore to refer the bill to the Judiciary Committee with instructions to report it back with an amendment to provide that financial assistance to public education and to the school lunch program shall not be denied to a school district which is not in noncompliance with a Federal court order (pp. 13934-43).
3. GRANTS-IN-AID. Passed as reported S. 2114, to provide for periodic congressional review of Federal grants-in-aid to States and local governments (pp. 14023-5).

See Digest 115 for a summary of this bill.

4. REORGANIZATION. Passed without amendment H. R. 3496, to reinstate the authority granted to the President by the Reorganization Act of 1949 (which expired June 1, 1963) to submit reorganization plans to the Congress for reorganizations in the executive branch. This bill will now be sent to the President. p. 14025
5. PROPERTY. Passed without amendment S. 1232, to make the modern code of procurement procedures contained in title III of the Federal Property and Administrative Services Act of 1949 directly applicable by statute to executive agencies of the Government not now so covered. p. 14025
6. WATER RESEARCH. Agreed to H. Con. Res. 189, to designate the Southwest Regional Water Laboratory at Ada, Okla., as the Robert S. Kerr Water Research Center. p. 14021
7. FOREST LAND; LOANS. Passed without amendment H. R. 8230, to amend Sec. 24 of the Federal Reserve Act so as to liberalize the conditions of loans by national banks on forest tracts. This bill will now be sent to the President. p. 14028
8. CREDIT UNIONS. Passed without amendment H. R. 8459, to amend the Federal Credit Union Act so as to allow Federal credit unions greater flexibility in their organization and operations. This bill will now be sent to the President. p. 14028
9. FOREIGN TRADE; TARIFF. Passed without amendment H. R. 2652, to provide for the duty-free importation of certain wools for use in the manufacturing of polishing felts. This bill will now be sent to the President. pp. 14028-9
Passed without amendment H. R. 4198, to provide for the free importation of soluble and instant coffee. This bill will now be sent to the President. p. 14029
Passed without amendment H. R. 8975, to provide for the tariff classification of certain particleboard imported during July 11, 1957, and Aug. 31, 1963. This bill will now be sent to the President. p. 14029
Passed without amendment H. R. 8268, to prevent double taxation in the case of certain tobacco products exported and returned unchanged to the U. S. for delivery to a manufacturer's bonded factory. This bill will now be sent to the President. p. 14029
Passed without amendment H. R. 10465, to continue until June 30, 1966, the existing provisions of law for the free importation of personal and household effects brought into the U. S. under Government orders. This bill will now be sent to the President. pp. 14029-30
10. RECLAMATION. The Interior and Insular Affairs Committee voted to report with amendment (but did not actually report) S. 2533, to authorize construction of the Manson unit, Chelan division, Chief Joseph Dam project, Wash.; S. 2630, to authorize construction of the Kennewich division extension, Yakima project, Wash.; S. 1123, to authorize construction of the Lower Teton division of the Teton Basin reclamation project, Idaho; S. 388, to authorize construction of the Mid-State reclamation project, Nebr.; and S. 1186, to provide for irrigation of additional lands within the Crooked River reclamation project, Ore. p. D487
11. LANDS. The Interior and Insular Affairs Committee voted to report without amendment (but did not actually report) H. R. 5514, to direct the Secretary of the Interior to sell a tract of public land to the Kaibab Lumber Co., Ariz. p. D487

and that copy of this statement of principle be transmitted to the President of the United States and to each Member of the Senate of the United States.

Gov. William A. Egan, Alaska; Gov. James A. Rhodes, Ohio; Gov. John Dempsey, Connecticut; Gov. William W. Scranton, Pennsylvania; Gov. John A. Burns, Hawaii; Gov. John Anderson, Jr., Kansas; Gov. Matthew E. Welsh, Indiana; Gov. Archie Gubbrud, South Dakota; Gov. Edward T. Breathitt, Kentucky; Gov. Clifford P. Hansen, Wyoming; Gov. Endicott Peabody, Massachusetts; Gov. John H. Reed, Maine; and Gov. John M. Dalton, Missouri; Gov. Grant Sawyer, Nevada; Gov. George Romney, Michigan; Gov. Richard J. Hughes, New Jersey; Gov. William L. Guy, North Dakota; Gov. Albert D. Rosellini, Washington; Gov. John W. Reynolds, Wisconsin; Gov. Manuel Flores Leon Guerrero, Guam; Gov. Edmund G. Brown, California; Gov. John A. Love, Colorado; Gov. Elbert N. Carvel, Delaware; Gov. John H. Chafee, Rhode Island; Gov. Otto Kerner, Illinois; Gov. Mark O. Hatfield, Oregon; Gov. Harold E. Hughes, Iowa; Gov. Robert E. Smylie, Idaho; Gov. J. Millard Tawes, Maryland; Gov. George D. Clyde, Utah; Gov. Karl F. Rolvaag, Minnesota; Gov. Paul Fannin, Arizona; Gov. Frank B. Morrison, Nebraska; Gov. John W. King, New Hampshire; Gov. Henry Bellmon, Oklahoma; Gov. Jack M. Campbell, New Mexico; Gov. Philip H. Hoff, Vermont; Gov. William W. Barron, West Virginia; Gov. H. Rex Lee, American Samoa; Gov. Ralph M. Paiewonsky, Virgin Islands.

Mr. DIRKSEN. Mr. President, in line with the sentiment offered by the poet, "Any man's death diminishes me, because I am involved in mankind," so every denial of freedom, every denial of equal opportunity for a livelihood, for an education, for a right to participate in representative government diminishes me.

There is the moral basis for our case. It has been long and tedious; but the mills will continue to grind, and, whatever we do here tonight as we stand on the threshold of a historic rollecall, those mills will not stop grinding.

So, Mr. President, I commend this bill to the Senate, and in its wisdom I trust that in bountiful measure it will prevail.

I close by expressing once more my gratitude to the distinguished majority leader for the tolerance that he has shown all through this long period of nearly 100 days.

But standing on the pinnacle of this night, looking back, looking around, looking forward, as an anniversary occasion requires, this is "the year that was," and it will be so recorded by the bone pickers who somehow put together all the items that portray man's journey through time that is history. I am prepared for the vote.

The ACTING PRESIDENT pro tempore. The bill having been read the third time, the question is, Shall it pass? The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

The result was announced—yeas 73, nays 27, as follows:

[No. 436 Leg.]

YEAS—73

Aiken	Gruening	Morse
Allott	Hart	Morton
Anderson	Hartke	Moss
Bartlett	Hayden	Mundt
Bayh	Hruska	Muskie
Beall	Humphrey	Nelson
Bennett	Inouye	Neuberger
Bible	Jackson	Pastore
Boggs	Javits	Pearson
Brewster	Jordan, Idaho	Pell
Burdick	Keating	Prouty
Cannon	Kennedy	Proxmire
Carlson	Kuchel	Randolph
Case	Lausche	Ribicoff
Church	Long, Mo.	Saltstall
Clark	Magnuson	Scott
Cooper	Mansfield	Smith
Curtis	McCarthy	Symington
Dirksen	McGee	Williams, N.J.
Dodd	McGovern	Williams, Del.
Dominick	McIntyre	Yarborough
Douglas	McNamara	Young, N. Dak.
Edmondson	Metcalf	Young, Ohio
Engle	Miller	
Fong	Monroney	

NAYS—27

Byrd, Va.	Hickenlooper	Russell
Byrd, W. Va.	Hill	Simpson
Cotton	Holland	Smathers
Eastland	Johnston	Sparkman
Ellender	Jordan, N.C.	Stennis
Ervin	Long, La.	Talmadge
Fulbright	McClellan	Thurmond
Goldwater	Mechem	Tower
Gore	Robertson	Walters

So the bill (H.R. 7152) was passed. [Applause in the galleries.]

The ACTING PRESIDENT pro tempore. The guests in the galleries will refrain from conversation and comment. The Senate will be in order.

Mr. DIRKSEN. Mr. President, I move that the Senate reconsider the vote by which the bill was passed.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the bill as amended by the Senate be printed.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I should like to query the majority leader with regard to the schedule for next week. I would like to know whether the Senate will adjourn until Monday.

Mr. MANSFIELD. Mr. President, in view of the circumstances, there will not be the usual Saturday session.

I ask unanimous consent that at the conclusion of business today, the Senate stand in adjournment until 12 noon, on Monday next.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, for the information of the Senate, in response to the question asked by the distinguished minority leader, it is anticipated that on Monday the Senate will start consideration of the Interior appropriation bill, to be followed, although not necessarily in this order, by the Treasury and Post Office appropriation bill, the atomic energy authorization bill, the National Aeronautics and Space authorization bill.

I would also, for the information of the Senate, state that after consulting with the distinguished minority leader—and I would hope with the concurrence of the Senate—we would be allowed to pass a number of unobjected-to items on the calendar. They are items which have been cleared. We would like to do it this evening.

The ACTING PRESIDENT pro tempore. The Senator from Illinois is recognized.

NATIONAL COMMISSION ON FOOD MARKETING

The ACTING PRESIDENT pro tempore. The Chair lays before the Senate a message from the House of Representatives, amending the joint resolution (S.J. Res. 71) to establish a National Commission of Food Marketing to study the food industry from the producer to the consumer, which was, to strike out all after the resolving clause and insert:

That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer.

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments

of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency.

(5) The effectiveness of the services including the dissemination of market news, and regulatory activities of the Federal Government in terms of present and probable developments in the industry; and

(6) The effect of imported food on United States producers, processors, and consumers.

(b) The Commission shall make such interim reports as it deems advisable, and it shall make a final report of its findings and conclusions to the President and to the Congress by July 1, 1965.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reason-

able access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as herein otherwise provided.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—

(a) The Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and the executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The executive director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further,* That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(b), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

Mr. MAGNUSON. Mr. President, I ask unanimous consent that the action of the Senate in respect to the appointment of conferees be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, the action is rescinded.

Mr. MAGNUSON. Mr. President, I move that the Senate accept the House amendments to Senate Joint Resolution 71.

The motion was agreed to.

DEPARTMENT OF THE INTERIOR APPROPRIATIONS, 1965

Mr. MANSFIELD. Mr. President, I ask unanimous consent that Calendar

No. 936, H.R. 10433, a bill making appropriations for the Department of the Interior and related agencies for the fiscal year ending June 30, 1965, and for other purposes, be made the pending business.

The ACTING PRESIDENT pro tempore. Is there objection?

There being no objection, the Senate proceeded to consider the bill (H.R. 10433), which had been reported from the Committee on Appropriations with amendments.

RESOLUTIONS OF THE NATIONAL CONGRESS OF PARENTS AND TEACHERS CONVENTION

Mr. MORSE. Mr. President, the National Congress of Parents and Teachers, as Senators know, is an organization composed of hardworking men and women devoted to the best interests of the American public schools whether it be found in Oregon, Oklahoma, New Jersey, or on an isolated base of our military services overseas.

I am pleased to learn that under the leadership of its new president, Mrs. Jennelle Moorhead, of Eugene, Oreg., the 12 million membership National Congress of Parents and Teachers—PTA—is reaffirming its support for needed improvements in the overseas dependents' schools. The NCTP's overseas branch, the European Congress of American Parents and Teachers, with its 82,608 members serving in 16 countries where the Department of Defense operates schools for the children of American parents serving the United States abroad, has compiled its firsthand observations in a series of resolutions designed to provide academic training at least equivalent to these schools' stateside counterparts.

Mr. President, I ask unanimous consent that the resolutions submitted to the 1964 convention to which I have alluded be printed in the RECORD at this point in my remarks.

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

EUROPEAN CONGRESS OF AMERICAN PARENTS AND TEACHERS

Whereas education is an important means through which the American people strive to provide opportunity for every citizen to become a productive member of society; and

Whereas some children who suffer physical or mental limitations will not fulfill the academic promise of their innate ability unless they receive compensatory health, welfare, and educational services from the school and the community; and

Whereas the European Congress of American Parents and Teachers serves as a bridge to link home, school, and community in a comparative effort to provide equality of opportunity for all children; and

Whereas this conference has underscored the urgency for positive action to achieve quality education for all and also compensatory services for disadvantaged children; and

Whereas the delegates of the 1964 spring conference affirm their support of the need for classes for handicapped children: Be it

Resolved, That delegates of the 1964 spring conference strongly support military regulations which provide that when parents of handicapped children leave the CONUS for overseas assignment every effort be made to assign the parents to bases providing appropriate classes and facilities; and be it further

Resolved, That the European Congress of American Parents and Teachers petition the



Public Law 88-354
88th Congress, S. J. Res. 71
July 3, 1964

Joint Resolution

To establish a National Commission on Food Marketing to study the food industry from the producer to the consumer.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency;

(5) The effectiveness of the services, including the dissemination of market news, and regulatory activities of the Federal Government in terms of present and probable developments in the industry; and

(6) The effect of imported food on United States producers, processors and consumers.

(b) The Commission shall make such interim reports as it deems advisable, and it shall make a final report of its findings and conclusions to the President and to the Congress by July 1, 1965.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

National Commission on Food Marketing, establishment, Organization.

Compensation of members.

78 STAT. 269.
78 STAT. 270.

60 Stat. 810.

Duties.

Reports to President and Congress.

Powers of the Commission.

Reports.

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

Oaths.

(2) to administer oaths;

Subpenas.

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

Aid of district court.

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

Testimony by deposition.

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraph (3) and (4) above; and

Payment of witnesses.
Compliance order.

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

78 STAT. 270.
78 STAT. 271.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

Executive departments and agencies, cooperation.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

Contract authority.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

Publication of information.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

Delegation of functions.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as herein otherwise provided.

Personnel and compensation provisions.
63 Stat. 954.
5 USC 1071
note.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and the executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry

out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The executive director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided*, That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further*, That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(b), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

Approved July 3, 1964.

76 Stat. 843.

5 USC 1113.

Employment of experts or consultants.

60 Stat. 810.

Detail of personnel to Commission.

Financial and administrative services furnished by GSA.

78 STAT. 271.

78 STAT. 272.

66 Stat. 661.

64 Stat. 765;

70 Stat. 783.

Termination.

Appropriation authorization.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 1401 accompanying H. J. Res. 977 (Comm. on Agriculture).

SENATE REPORT No. 1022 (Comm. on Commerce).

CONGRESSIONAL RECORD, Vol. 110 (1964):

May 18: Considered and passed Senate.

June 4: Considered and passed House, amended, in lieu of H. J. Res. 977.

June 5: Senate disagreed to House amendment and agreed to conference.

June 12: Motion entered in Senate to concur in House amendment.

June 15: Senate requested return of S. J. Res. 71.

June 19: Senate rescinded action of June 5 and concurred in House amendment.

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